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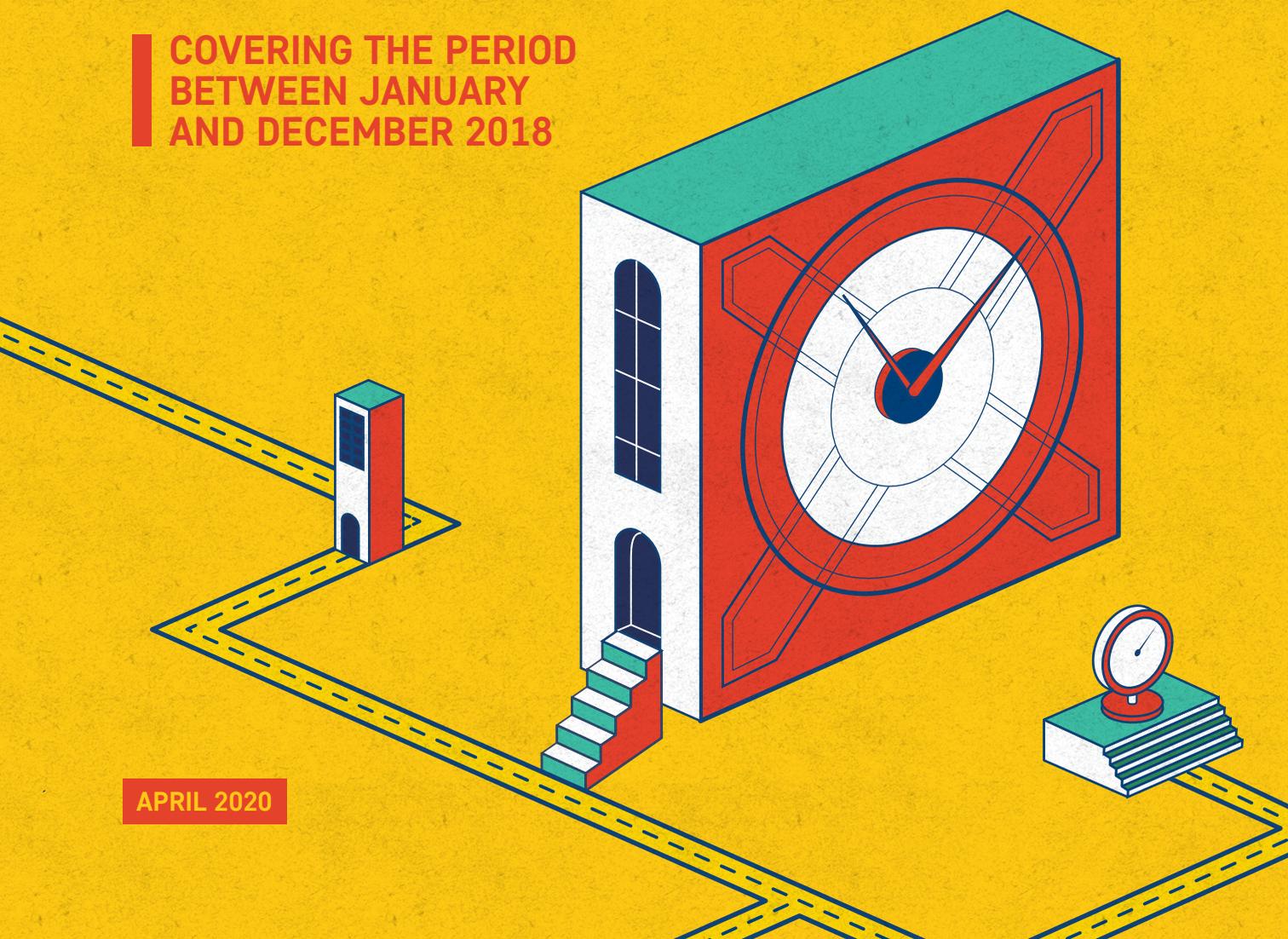


RIINVEST
INSTITUTI PER HULLUMTIME ZHVILLIMORE
INSTITUTE FOR DEVELOPMENT RESEARCH

PUBLIC PROCUREMENT BAROMETER (X-INDEX)

Benchmarking tool for public
procurement in Kosovo

**COVERING THE PERIOD
BETWEEN JANUARY
AND DECEMBER 2018**



APRIL 2020



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TRANSPARENT, EFFECTIVE AND ACCOUNTABLE MUNICIPALITIES ACTIVITY IN KOSOVO RIINVEST INSTITUTE

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ACRONYMS

EU

European Union

GDP

Gross Domestic Product

KBRA

Kosovo Business Registration Agency

NPwP

Negotiated Procedure without Publication

OECD

Organization for Economic Cooperation and Development

PPRC

Public Procurement Regulatory Commission

PRB

Procurement Review Body

SMEs

Small and Medium Enterprises

ABSTRACT

This study presents the findings of the x-index – a public procurement benchmarking tool – which measures and evaluates the performance of municipalities in public procurement and compares it with best practices. The findings are grouped into three categories, based on the size of the municipalities to provide an objective representation. x-index is based on a statistical model containing 9 sub-indexes, each of which assesses several dimensions of public procurement, and which jointly focus on the areas of transparency, competition, and efficiency. The x-index includes all 38 municipalities of Kosovo and covers their procurement activities in the period January-December 2018, consisting of 2649 contract award notices, in total worth over €179 million. The index is constructed based on objective criteria. Data for the construction of the index were obtained from the official e-procurement platform and other official statistics.

Keywords: public procurement, transparency, corruption, efficiency, accountability, municipalities, benchmark, x-index.

Riinvest is committed to playing an active role in publicizing the importance of a sound public procurement system which promotes fairness, efficiency, and minimization of corruption and misuse of taxpayers' money while maximizing the economic and social gains of public procurement. We would like to thank USAID's Transparent, Effective and Accountable Municipalities activity for supporting this research and related activities and for their continued cooperation during the realization of this project. We would like also to thank central and local level officials for their cooperation during the implementation of our research. Riinvest wishes to thank all parties involved in the preparation of this report for their contribution while it assumes sole responsibility for all findings and conclusions in the report.

INTRODUCTION

The purpose of the x-index is to monitor and evaluate the performance of Kosovo's 38 municipalities in public procurement through a statistically built index. The evaluation focuses on three main areas: transparency, competition, and efficiency. Despite being a relatively robust statistical indicator, x-index cannot reflect all aspects of the ideal procurement process, especially when it comes to qualitative aspects. The x-index score benchmarks the contracting authorities only according to objective, well measurable criteria. Given that those account for most aspects of the procurement process, this is a fair way of assessing public procurement.

Public procurement makes up close to fifteen percent of Kosovo's GDP and is an important driver of its economy. On average, Kosovo's government spends over 30 percent of its budget through public procurement on purchasing products and services from economic operators, making it one of the most vulnerable targets for corruption (PPRC, 2017)¹. A transparent public procurement is critical to achieving the more efficient allocation of resources through increased competition; thus, to achieve this, systematic and continuous reforms are necessary. Moreover, public procurement must be done efficiently and transparently in order to provide a level playing field for all actors involved and help governments to get the best value for taxpayers' money. Globally, public procurement is a government activity that is highly vulnerable to corruption (OECD, 2007).² Similarly in Kosovo, public procurement is very often perceived as being prone to corruption and its integrity is often put into question (Knopic, 2004; Riinvest, 2011).³

By the same token, challenges in creating a sound public procurement system are ubiquitous and Kosovo is not an exception. This process proved particularly challenging for countries that have gone from centrally planned to market economies where public procurement is a novelty. Public procurement in Kosovo was established after the 1999 war

with the support of the international community but currently, it has strong local ownership. The legal framework has been continuously improved and is now considered to be largely in accordance with the EU directive, though further improvements are required. Prior Riinvest research determined that the overall weakness of the procurement system stems from the insufficient implementation of the law (Riinvest, 2012).⁴ This segment requires significant improvements in order to minimize the misuse of taxpayers' money as well as to correct distortions in the market.

However, improvements in transparency are evident. Apart from publishing all of their contract notices electronically in the e-procurement platform, the majority of municipalities are now publishing all of their signed contracts their websites, and in the e-procurement platform. This came as a result of the strong pressure from civil society organizations for open and accountable governance, and from the willingness of municipalities' mayors to comply.

To this end, this report aims to facilitate a better-informed discussion on public procurement based on objective information. The rating of the score of the x-index ranges from 0 to 1 where 1 means that the contracting authority is conducting public procurement activities largely in line with best practices (i.e. good conduct, as defined by international institutions). A low x-index rating, leaning towards 0, implies a deviation from best practice. Contracting authorities with low x-index values (in comparison to similar institutions) are not necessarily more corrupt or less efficient; the low score simply indicates there is for a greater vulnerability to corrupt or inefficient practices in their procedures - but whether that opportunity has been exploited or not, it cannot be proven from these statistics.

In order to have an objective representation of the results, the municipalities were classified into three groups: large, medium, and small-sized municipalities. The classification of the municipalities was done upon the criteria of the municipalities' budget and the number of municipal officials. The long-term goal of x-index is to serve as an educational

1 PPRC, 2017. Report on Public Procurement Activities in Kosova for 2016

2 OECD, 2007. Integrity in Public Procurement; good practice from a to z. Organization for Economic Co-Operation and Development. Paris

3 Knopic, J., 2004. Corruption in Kosovo: Perceptions versus Experiences; Potential Investigative Techniques. Seminar on the Law of Nationbuilding. Chicago-Kent College of Law

4 Riinvest, 2012. Improving Transparency and Governance of public funds in Kosovo. Riinvest Institute for Development Research, Prishtina

tool, using illustrative comparisons to identify contracting authorities' weaknesses and to use the results to better educate contracting authorities in best practice and motivate them to better manage public funds. The project is designed to provide a place for factual debate about appropriate public procurement practices for contracting authorities, the public, and the media.

This report is organized as follows: section one provides an executive summary of the report. Section two briefly explains what is the benchmarking tool for public procurement (x-index). Section 3 presents the results of the overall index for all municipalities, while Section 4 presents the results from each sub-index individually. Section 5 provides a detailed description of the methodology.



On average, Kosovo's government spends over 30 percent of its budget through public procurement on purchasing products and services from economic operators, making it one of the most vulnerable targets for corruption (PPRC, 2017)

1

EXECUTIVE SUMMARY

The average score of the composite index for all (38) municipalities is 0.70 index points. Out of the nine sub-indexes, findings reveal that municipalities have performed the best in the “Public procurement as a share of total purchases (x1)” sub-index, with an average score of 0.95 index points. Meanwhile, the sub-index where municipalities have performed the worst is “Pro competitive tools (x6).” This sub-index evaluates to what extent municipalities use optional procompetitive tools, such as ‘splitting contracts into lots’, and ‘evaluating tenders by quality rather than price.’ Regarding the poor performance of municipalities in this sub-index, our findings reveal that municipalities have used the procompetitive tool of ‘splitting contracts into lots’ only in 7 percent of cases, while in more than 99 percent of cases, the criteria for awarding a contract was lowest price. Awarding 99 percent of contracts using price criterion rather than quality was also mentioned in the European Commission’s Progress Report document for Kosovo.

Another sub-index where municipalities performed below the average x-index score of 0.70, is ‘Bidder participation (x5).’ The average sub-index score for all municipalities was 0.59. Similar to ‘Pro competitive tools (x6)’, this sub-index is created with the idea of encouraging municipalities to foster competition among economic operators, and as a result, increase quality. To this end, this sub-index measures the number of tenders that are submitted for each call. The median of tenders received for a call was 3; while more than 26% of awarded contracts, received only one offer.

When speaking of competition, ‘Tender submission deadline (x9)’ is another sub-index that aims to foster competition, by encouraging municipalities not to use the accelerated procedure. The average score of municipalities in this sub-index, was 0.63, an average that is below the average x-index score of 0.70.

Meanwhile, regarding transparency and competition, municipalities performed well in ‘Competitive contracting (x2)’ sub-index, with an average score of 0.82. This sub-index measures the value and number of contracts tendered through negotiated procedures without publication (NPwP), in proportion to the total value and number of contracts. In numbers, municipalities awarded 10 percent of their contracts through NPwP, while only 2 percent in value. In general, 63 percent of contracts were awarded through an open procedure, 27 percent through the Price Quotation Procedure.

Regarding efficiency, municipalities performed very well in the ‘Consistent conduct (x3)’ sub-index, with a high average score of 0.86. Throughout a scoring system, this sub-index penalizes municipalities that cancel or amend contract notices, and vice-versa. On average 1 out of 10 contract notices was amended, while 13% of contract notices were canceled.

Contract award notices published on Kosovo’s Public Procurement Regulatory Commission (PPRC) electronic platform (e-procurement) provide limited information regard-

ing the winning company, making it difficult to identify the company and the owner. This is an interrelated issue with the Kosovo Business Registration Agency (KBRA), since it is difficult to track down these economic operators registered at KBRA due to the similarity of the company names that they possess. The webpage of the “Procurement Review Body (PRB)”, also is not updated on a regular basis.

Some key recommendations from this report include:

- Municipalities should consider quality over price as a criteria when awarding their contracts, as suggested by EU Directive on public procurement. If needed, PPRC and international organizations should provide support to municipalities on drafting proper technical specifications that are required when using quality-based criteria;
 - Municipalities should continue to publish their contracts. Capacity building by PPRC, CSOs and international organizations, should be provided and focused on small-sized municipalities to publish their contracts and update their web-pages;
 - Civil society organizations should continue to put pressure on PPRC to provide machine readable data, rather than data published on pdf documents.
 - PPRC should consider inserting economic operators’ fiscal number in contract notices and contract award notices. This way (by fiscal number) it would be easier to find the economic operator on KBRA, rather than by name.
 - Greater support should be provided from international organizations operating in Kosovo to central procurement institutions like the (PPRC) so that they can in turn provide support to local level contracting authorities.
 - Continue to support capacity building and development of the PRB from international organizations that are active in this field in Kosovo, especially with regard to decisions on interim measures. Also, additional support should be provided to PPRC to work towards making the e-procurement infrastructure more efficient and more user-friendly.
- There should be a higher degree of integration of in the procurement process into the overall public expenditure management process.
 - Civil society organizations and media should be more active in monitoring and signaling malfeasance in the public procurement process as well as coming forward with recommendations on improving the system.
 - Parliament should be more active in holding the central procurement bodies as well as the government accountable for implementation of the law. It should also engage other stakeholders in parliamentary hearings in future legislative amendments.

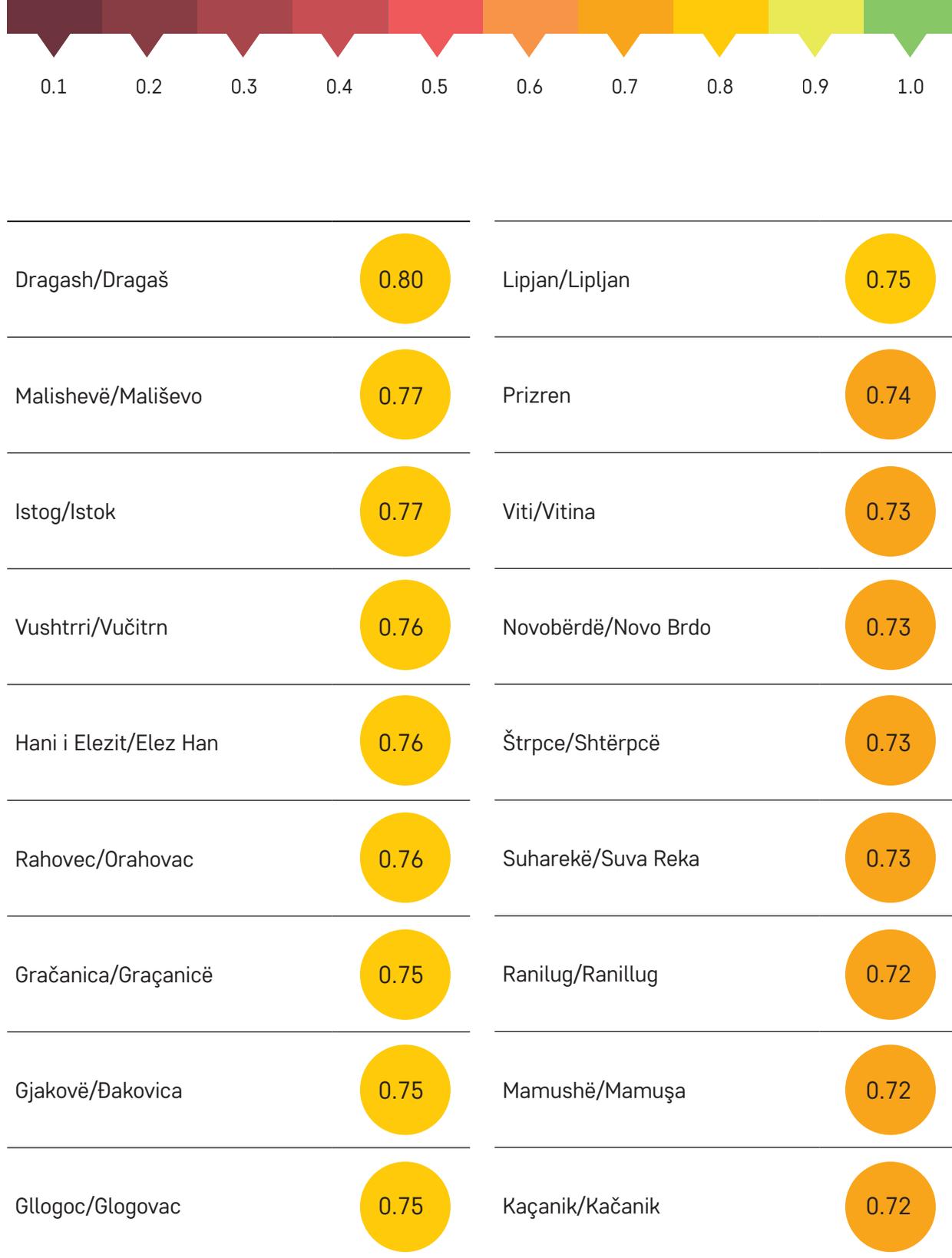


FIGURE 1. FINAL RESULTS

SOURCE: AUTHORS' OWN ESTIMATION

0.1

0.2

0.3

0.4

0.5

0.6

0.7

0.8

0.9

1.0

Parteš/Partesh

0.72

Ferizaj/Uroševac

0.68

Deçan/Deçani

0.71

Klinë/Klina

0.67

Podujevë/Podujevo

0.71

Severna Mitrovica/Mitrovicë e Veriut

0.65

Fushë Kosovë/ Kosovo Polje

0.71

Zubin Potok

0.64

Pejë/Peć

0.70

Shtime/Štimlje

0.63

Klokot/Kllokot

0.69

Junik

0.62

Mitrovicë/Mitrovica

0.69

Skenderaj/Srbica

0.62

Prishtinë/Priština

0.69

Zvečan/Zveçan

0.62

Kamenicë/Kamenica

0.69

Gjilan/Gnjilane

0.60

Obiliq/Obilić

0.68

Leposavić/Leposaviq

0.59

2

WHAT IS BENCHMARKING TOOL FOR PUBLIC PROCUREMENT – X-INDEX?

The x-index is a public procurement benchmarking tool which is built upon a statistical model based on quantitative data gathered from Kosovo's e-procurement platform. It uses real accessible data to measure each contracting authority's (in this case each municipality's) rate of efficiency, and competition in public procurement, within a twelve-month period (January-December 2018). Based on a quantitative research methodology, the findings leave little or no space for subjective interpretations. The majority of the data (90%), are accessible and collected online through Kosovo's Public Procurement Regulatory Commission electronic procurement platform. Other sources of data include PRB (decisions regarding the legality of municipalities procurement activities); and KBRA (name of economic operators); and from the Law on the Budget of the Republic of Kosovo for 2018. The project relies heavily on a similar established methodology developed internationally and adjusted for the Kosovo context.

The overall objective of the "Benchmarking tool for public procurement – x-index" is to promote good governance and

accountability in regards to the procurement process at the municipal level, in order to counter corruption, by highlighting controversial as well as exemplary contracting authorities, through a research methodology based on factual procurement data. A low score in the x-index sub-indexes implies a deviation from the best procurement practices. Municipalities with lower scores are not necessarily corrupt, less efficient or less accountable. However, a low x-index score raises red flags and leaves more space for concern about the municipalities' procurement activity and the procedures conducted, both in terms of potential corruption or inefficiency. Also, x-index results do not aim to prove corruption cases, and cannot do so. The "negotiated procedure without publication (NPwP)", usage of "accelerated time limits" or a "cancellation of procurement activities", are all actions that fall within the legislation of Kosovo's procurement system. These may be used under specific circumstances clearly defined in the law. However, frequent usage of them may be a red flag for fraud, waste or abuse.

3

X-INDEX RESULTS

From the category of large-sized municipalities, as shown in Figure 2, Gjakovë/Đakovica is the municipality with the best performance, with an x-index score of 0.75, followed closely by Prizren with a score of 0.74 index points, Podujevë/Podujevo 0.71 index points, and Pejë/Peć 0.70 index points. On the other hand, from this category of municipalities, Gjilan/Gnjilane is the municipality with the lowest performance, with an x-index score of 0.60 points. Meanwhile, from medium-sized municipalities, Dragash/Dragaš is the municipality with the best performer, with an x-index score of 0.80. Municipalities of Malishevë/Mališevo (0.77 index points), Istog/Istok (0.77 index points), Vushtrri/Vučitrn (0.76 index points), Rahovec/Orahovac (0.76 index points), have performed very well. Skenderaj/Srbica and Klinë/Klina, are the lowest-performing municipalities in this category, with a xindex score of 0.62, and 0.67 index points respectively. Regarding small-sized municipalities, Hani i Elezit/Elez Han is the municipality with the best performance, with an x-index score of 0.76, followed closely by Gračanica/Gračanicë (0.75 index points). On the other hand, sitting at the bottom of the list of small-sized municipalities is Leposavić/Leposaviq, with an x-index score of 0.59.

The average score of the composite index for all (38) municipalities is 0.70 index points. The majority of municipalities (23 municipalities or 61%) have a higher than average score. Meanwhile, 15 municipalities or 39%, have a lower score than the average one. The range of the x-index is from 0.59 to 0.80 index points.

Medium-sized municipalities have performed the best in the reporting period, with an average xindex score of 0.73. Meanwhile, both large and small-sized municipalities have performed under 0.70 index points, which is the average composite index for all municipalities. The average xindex score for large-sized municipalities is 0.69 points, while small-sized municipalities scored an average xindex result of 0.68 points.

From the nine sub-indexes, municipalities collectively have performed lower than the average score of the overall index in 4 of them (or 44%). The sub-indexes where municipalities performed lower are: Bidder Participation (x5), Pro Competitive Tools (x6), Legal Misconduct (x7), and Tender Submission Deadline (x9). The scores for these sub-indexes range from 0.27 index points (Pro Competitive Tools) to 0.65 index points (Legal Misconduct). Meanwhile, municipalities had higher than the average score, in the following sub-indexes: Public Procurement as a Share of Total Purchases (x1), Competitive Contracting (x2), Consistent Conduct (x3), Winner Concentration (x4), and Procurement Planning Accuracy (x8). The scores for these sub-indexes range from 0.74 index points (Procurement Planning Accuracy) to 0.95 index points (Public Procurement as a Share of Total Purchases).

The results for the three categories of municipalities are presented in the following figures.

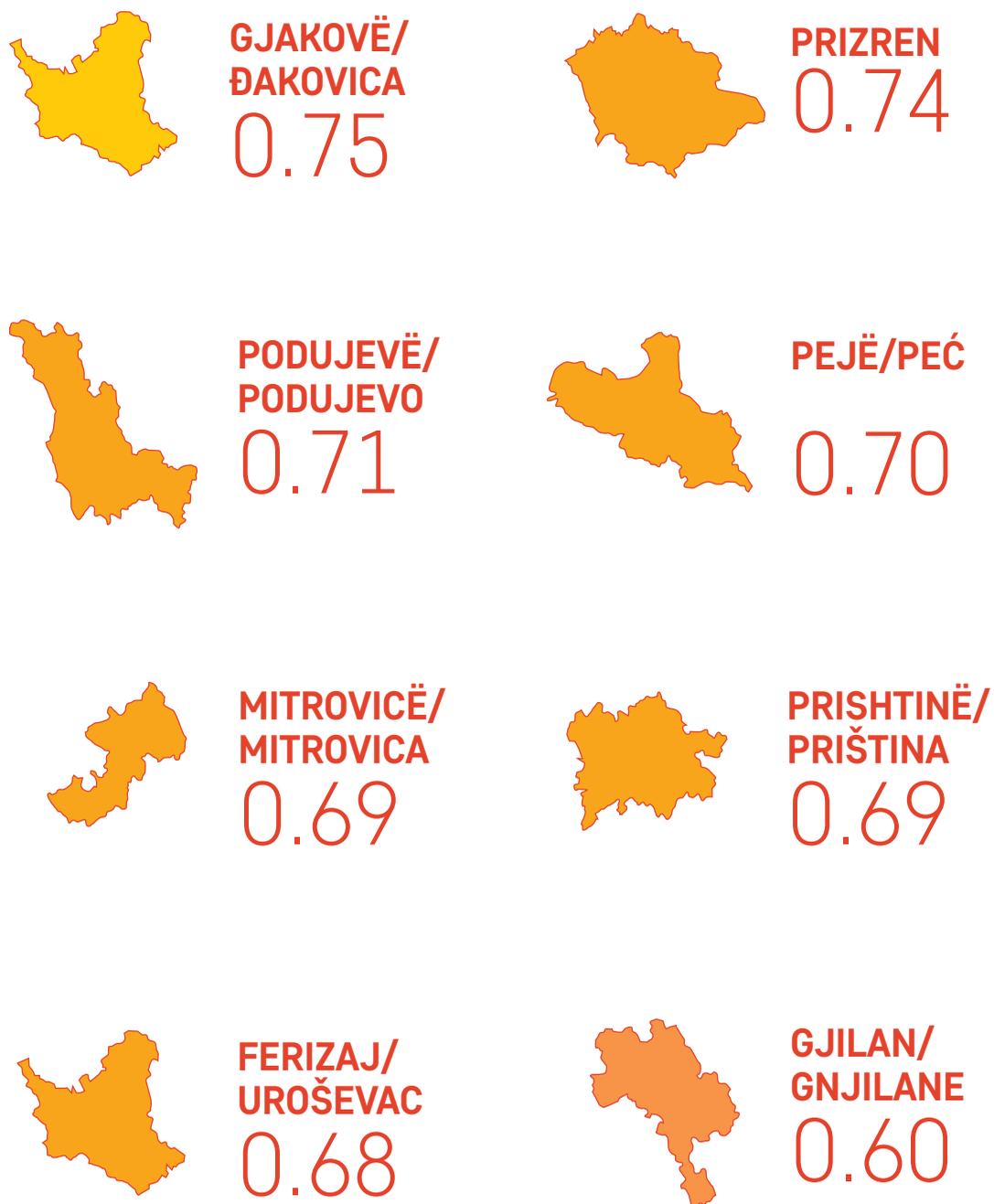


FIGURE 2. OVERALL X-INDEX RESULTS FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION

LARGE-SIZED MUNICIPALITIES

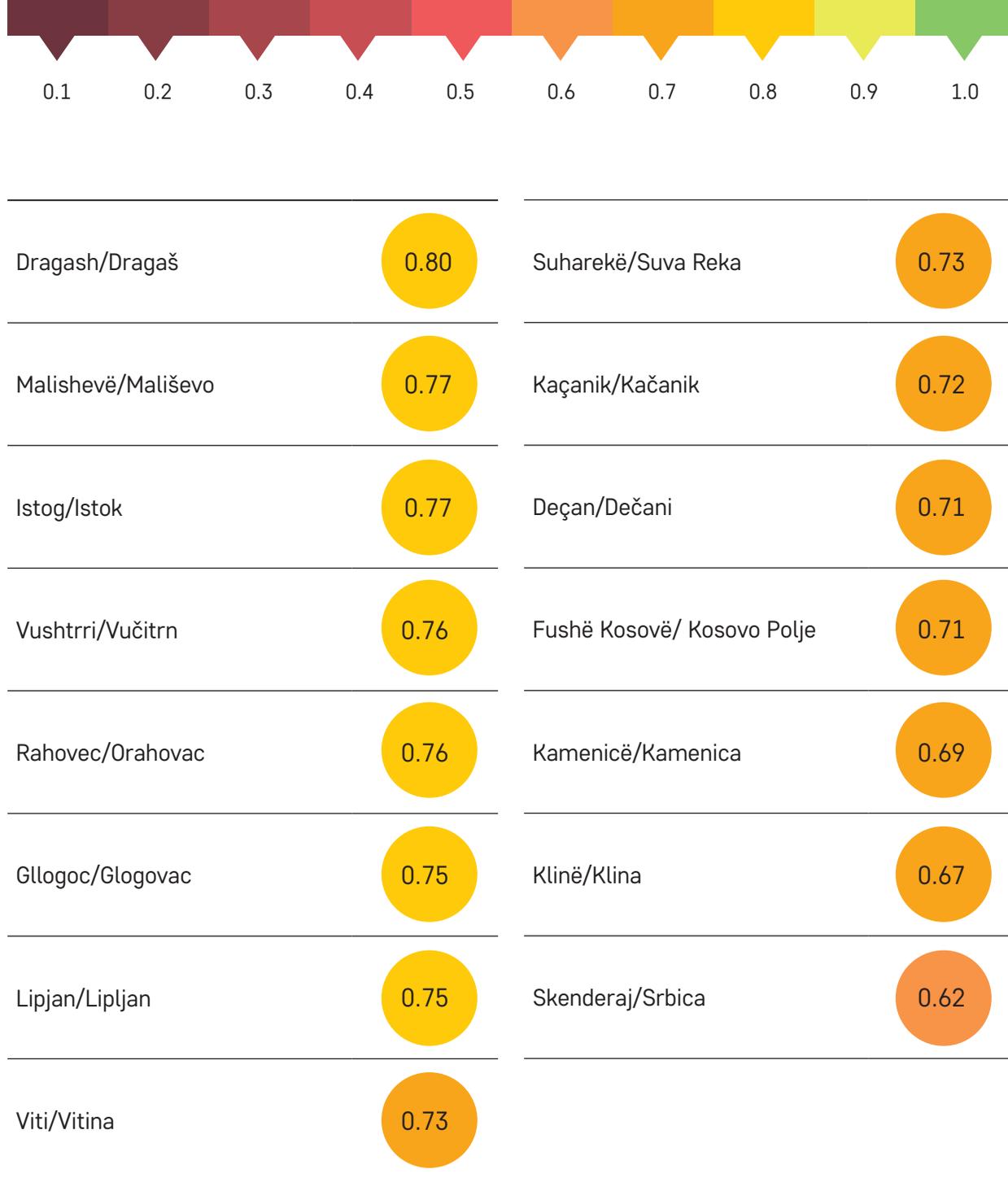


FIGURE 3. OVERALL X-INDEX RESULTS FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION

MEDIUM-SIZED MUNICIPALITIES



FIGURE 4. OVERALL X-INDEX RESULTS FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION

MEDIUM-SIZED MUNICIPALITIES

HOW IS X-INDEX CALCULATED?

NINE INDICATORS EXPLAINED BELOW, ARE COMBINED TO PRODUCE A SINGLE X-INDEX VALUE, USING A WEIGHTED AVERAGE:

$$x_{index} = \frac{x_1 + x_2 + x_3 + x_4 + x_5 + x_6 + x_7 + x_8 + x_9}{9}$$

Where X is the final x-index value and x1 to x9 are the values of the individual indicators numbered according to the list above (the detailed computation of the indicators follows). Each of the indicators is scaled between 0 and 100, and they thus have equal weight.

4

RESULTS FROM
SUB-INDEXES



SUB-INDEX 1: PUBLIC PROCUREMENT AS A SHARE OF TOTAL PURCHASES (X1)

Public Procurement as a share of total purchases (x1), compares the value of municipalities' contracts published in the "e-procurement" platform with the total volume of their controllable operating costs. In our model, the controllable operating costs include: goods and services, and capital expenditures. Wages and salaries, subsidies and transfers, and utilities were excluded, since they are expenses that are not managed by municipalities. The formula for calculating the "Public procurement as a share of total purchases", is as follows below:

$$x1 = \sqrt{\frac{\text{value of public procurement contracts}}{\text{value of controllable operating costs}}}$$

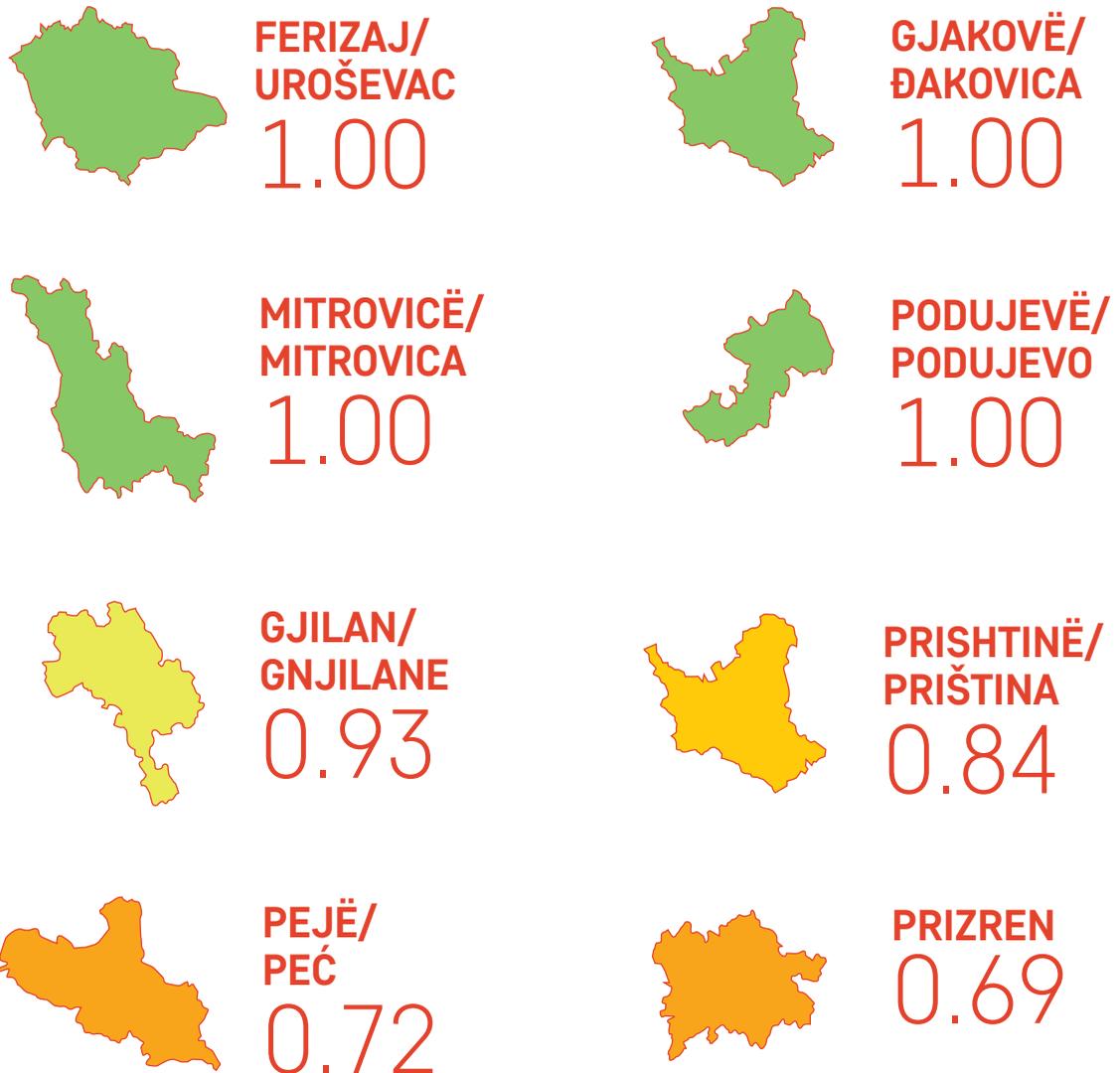
Controllable operating costs are defined as the sum of selected cost items that are dependent on the contracting authority's management, in this case, municipalities' management. In cases where a large volume of expenses falls outside the scope of the public procurement, this implies a less transparent environment and more room for the contracting authority to make arbitrary decisions. Therefore, the goal of this indicator is to encourage municipalities to use public procurement procedures through the e-procurement platform and create a more transparent process.

Public procurement as a share of total purchases (x1), is the sub-index where the municipalities scored the highest results. The average score for all 38 municipalities, for this sub-index (x1) is 0.95 index points. Medium-sized munic-

ipalities have performed the best in this sub-index, with an average score of 0.97 index points; followed closely by small-sized municipalities, with an average score of 0.96; whereas large-sized municipalities had an average sub-index score of 0.90 index points.

Figure 5, shows the performance of large-sized municipalities in this sub-index. Municipalities from Ferizaj/Uroševac to Podujevë/Podujevo (ranked in alphabetical order), top the performance in this sub-index and category of municipalities, with a maximum sub-index score of 1. As seen in Figure 5, from the category of large sized municipalities, Prizren has the lowest score in this sub-index, 0.69 index points.

LARGE-SIZED MUNICIPALITIES



**FIGURE 5. PUBLIC PROCUREMENT AS A SHARE OF TOTAL PURCHASES (X1)
FOR LARGE-SIZED MUNICIPALITIES**

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. Controllable operating costs exceeding the total value of costs published in the e-procurement platform is legitimate. However, the higher the amount of controllable operating costs and the lesser of e-procurement costs, the lower the transparency.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0

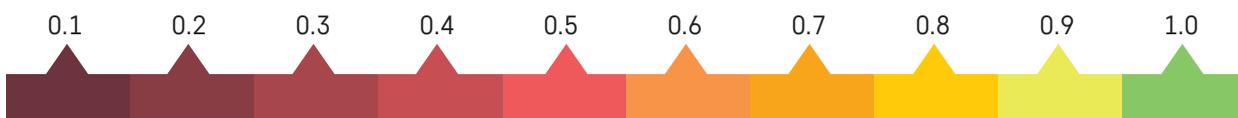
MEDIUM-SIZED MUNICIPALITIES

Meanwhile, as seen in Figure 6, over 65 percent of medium-sized municipalities (from Deçan/Deçani to Viti/Vitina) have displayed good performance, reaching the maximum score of 1 index points. While the municipality that closes the rankings in this table, is the municipality of Skenderaj/Srbica, with a sub-index score of 0.81 index points.

Deçan/Deçani	1.00	Suharekë/Suva Reka	1.00
Dragash/Dragaš	1.00	Viti/Vitina	1.00
Gllgovc/Glogovac	1.00	Istog/Istok	0.99
Kamenicë/Kamenica	1.00	Kaçanik/Kaçanik	0.97
Klinë/Klina	1.00	Vushtrri/Vučitrn	0.97
Lipjan/Lipljan	1.00	Fushë Kosovë/ Kosovo Polje	0.87
Malishevë/Mališevo	1.00	Skenderaj/Srbica	0.81
Rahovec/Orahovac	1.00		

**FIGURE 6. PUBLIC PROCUREMENT AS A SHARE OF TOTAL PURCHASES (X1)
FOR MEDIUM-SIZED MUNICIPALITIES**

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Similar to medium-sized municipalities, small-sized municipalities have recorded a great performance in this sub-index. As seen in Figure 7, 73% of municipalities in the small-sized category, have reached the maximum score of 1 index points (from Hani i Elezit/Elez Han to Zvečan/Zvečan). Meanwhile, the municipality with the lowest sub-index score in this category, is Municipality of Leposavić/Leposaviq, with a sub-index score of 0.54 points.

Hani i Elezit/Elez Han	1.00	Shtime/Štimlje	1.00
Junik	1.00	Zubin Potok	1.00
Mamushë/Mamuşa	1.00	Zvečan/Zvečan	1.00
Severna Mitrovica/ Mitrovicë e Veriut	1.00	Gračanica/Gračanicë	0.95
Obiliq/Obilić	1.00	Klokot/Kllokot	0.94
Parteš/Partesh	1.00	Novobërdë/Novo Brdo	0.92
Ranilug/Ranillug	1.00	Leposavić/Leposaviq	0.54
Štrpce/Shtërpçë	1.00		

**FIGURE 7. PUBLIC PROCUREMENT AS A SHARE OF TOTAL PURCHASES (X1)
FOR SMALL-SIZED MUNICIPALITIES**

SOURCE: AUTHORS' OWN ESTIMATION



X

2

SUB-INDEX 2: COMPETITIVE CONTRACTING (X2)

Competitive contracting (x2) measures the value and the number of contracts tendered through negotiated procedures without publication (NPwP), in proportion with the total value and number of contracts. In order to measure both the value and number of contracts awarded, equal weight is given to both the value and number of contracts (as seen in the formula below). A minimum rating of zero is assigned to a municipality that awarded all its contracts through NPwP. The formula for calculating the "Competitive contracting" indicator, is as follows:

$$x2 = \left\{ \left[\left(1 - \frac{\text{value of contracts awarded through NPwP}}{\text{total value of contracts}} \right) + \left(1 - \frac{\text{number of contract awarded through NPwP}}{\text{total number of contracts}} \right) \right] / 2 \right\}^4$$

Competitive contracting (x2) is a sub-index created with the aim of fostering competition and transparency among municipalities in public procurement. The sub-index measures the value and number of contracts tendered through negotiated procedures without publication (NPwP), in proportion with the total value and number of contracts. Even though by Kosovo's Law on Public Procurement, NPwP is recommended to be used on specific cases, the frequent usage of this procedure does not have a great reputation in terms of transparency and competition, since it enables municipalities to invite only a single or a small group of economic operators to bid, and thus it may harm both transparency and competition. Therefore, the aim of this sub-index is to prevent municipalities from negotiating directly with one or a limited group of economic operators without issuing a public call for a tender, in order to reduce corruption risks and to increase the likelihood that the municipality will secure the best value for money. In general, municipalities performed well in this sub-index, with an average sub-index score of 0.82 points. Small-sized municipalities used the NPwP procedure the least, with an average score of 0.87; followed by medi-

um-sized municipalities with 0.82 index points. Meanwhile, large-sized municipalities used it the most, with an average score of 0.73 index points. Figure 8, reveals the performance of large-sized municipalities in this sub-index. Municipality of Mitrovicë/Mitrovica has the highest score in this sub-index (0.93 index points), followed closely by Prizren (0.92 index points). The findings reveal that out of 33 contracts, the municipality of Mitrovicë/Mitrovica has awarded only one with the negotiated procedure without publication; and one percent in value. Similar results have placed the municipality of Prizren as the second in this category of municipalities. Out of 159 awarded contracts, Prizren has used this procedure only 5 times (or 3% of cases), while in value 1%. Meanwhile, from large-sized municipalities, Municipality of Pejë/Peć and Gjilan/Gnjilane have the lowest performance, with a sub-index score of 0.56, and 0.57 index points respectively. For example, Municipality of Pejë/Peć, from a total of 87 contracts awarded, has awarded 20 of them with NPwP (or 23%); and 4% in value. Similar results are also in the Municipality of Gjilan/Gnjilane, where they have awarded 20% of their contracts in number through NPwP, and 6% in value.

LARGE-SIZED MUNICIPALITIES

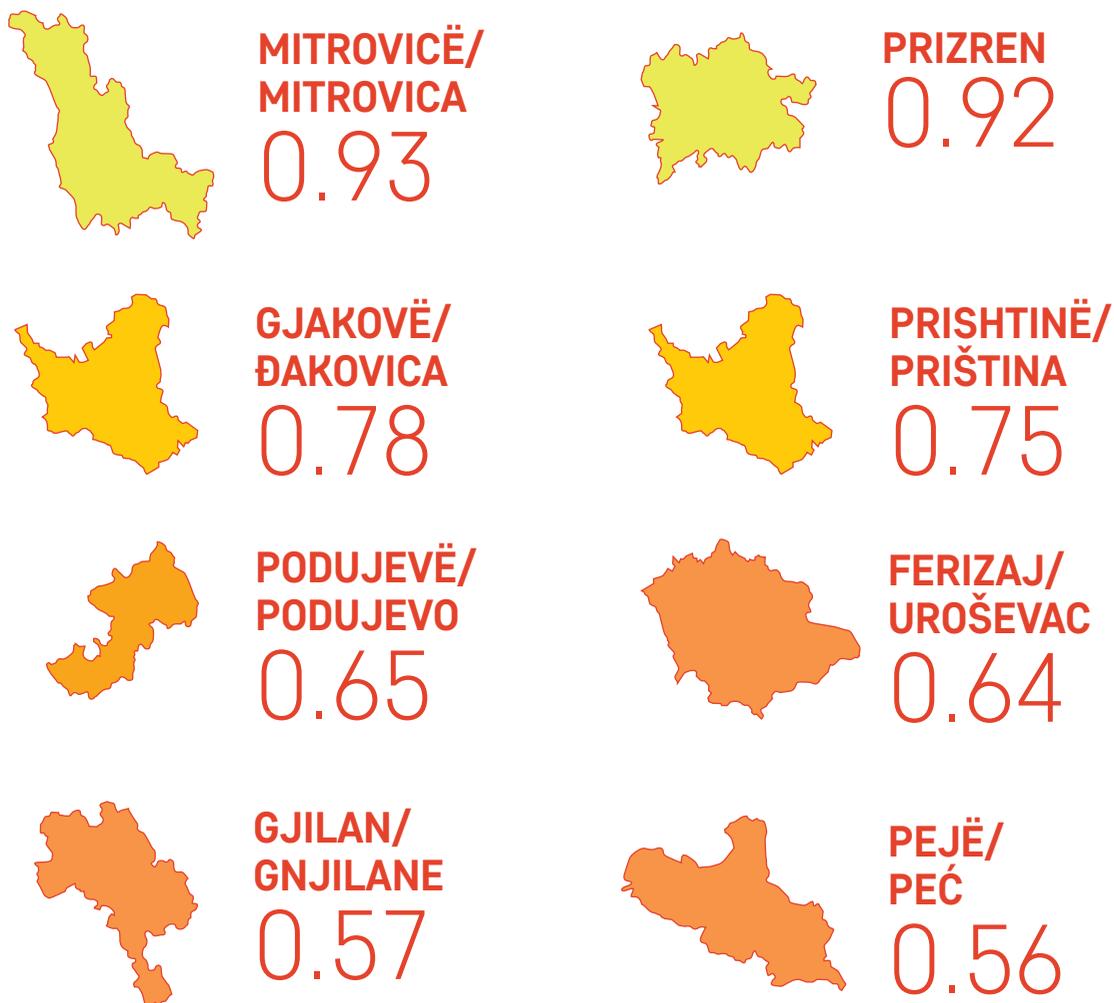


FIGURE 8. COMPETITIVE CONTRACTING (X2) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. According to the Law on Public Procurement, Negotiated Procedure without Publication is one of the six procedures used in public procurement activities. Article 35 of this Law states that this procedure is recommended to be used by contracting authority in cases when for specific reasons a contract has to be awarded to a specific economic operator. However, frequent usage of this procedure reduces transparency, undermines competition, and is a red flag for possible corruption.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0

MEDIUM-SIZED MUNICIPALITIES

As shown in Figure 9, from the category of medium-sized municipalities, the Municipality of Lipjan/Lipljan and Rahovec/Orahovac have not used at all the negotiated procedure without publication, and thus have reached the maximum score in this sub-index, 1 index points. Also, the high score (0.98 index points) of the Municipality of Malishevë/Mališevo, reveals that this municipality has used this procedure only once, while the value is insignificant to be counted. Municipalities with the lowest performance in this sub-index are Klinë/Klina (0.57 index points), and Suharekë/Suva Reka (0.58). Municipality of Klinë/Klina has used the NPwP procedure in 20% of cases (in 21 out of 107 awarded contracts); while the Municipality of Suharekë/Suva Reka, used the NPwP procedure in 16% of cases (20 out of 124 awarded contracts).

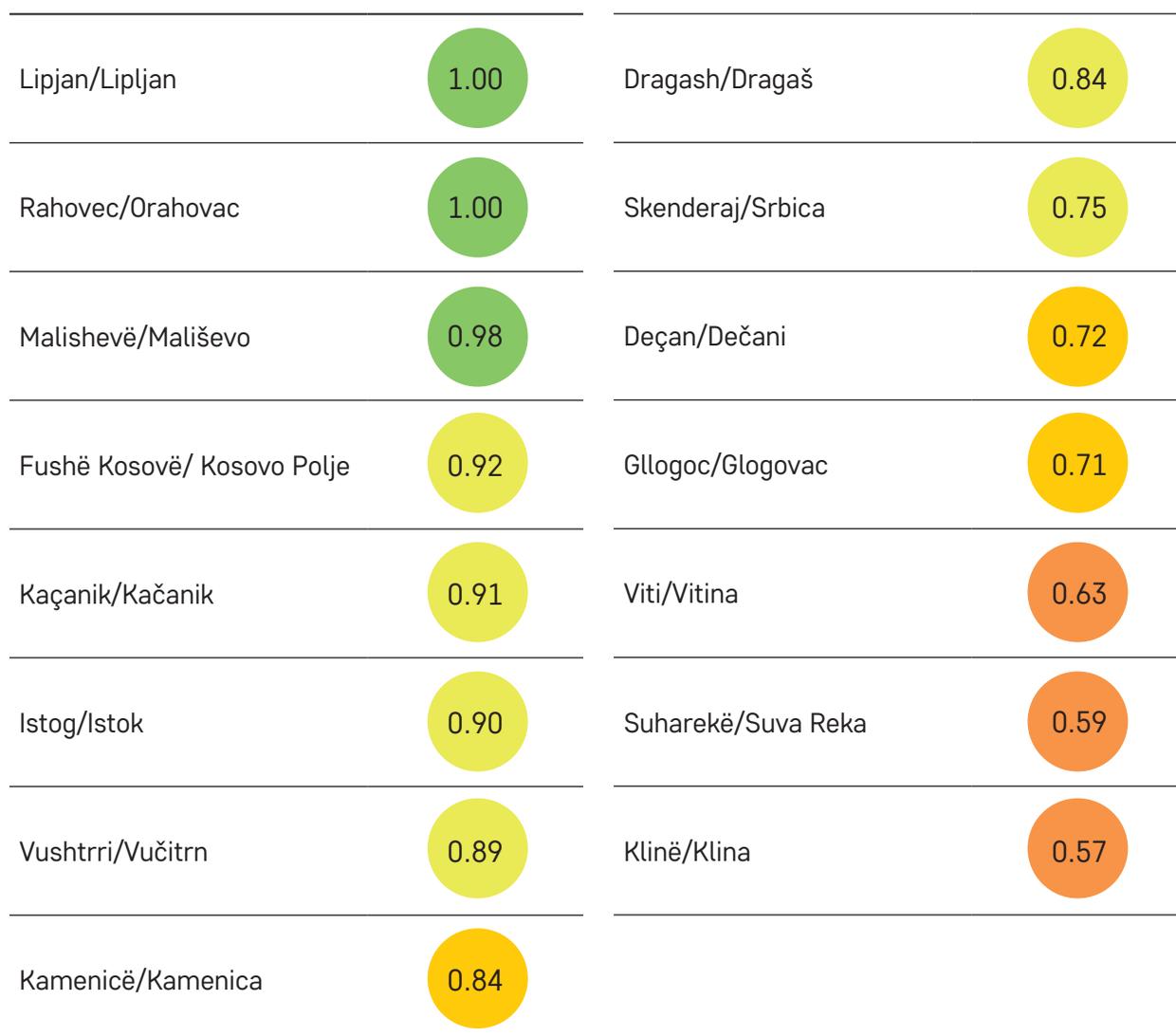
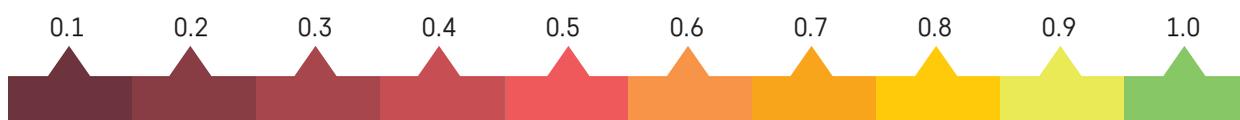


FIGURE 9. COMPETITIVE CONTRACTING (X2) FOR MEDIUM-SIZED MUNICIPALITIES S

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Small-sized municipalities had the best performance in this sub-index, with an average score of 0.87 index points. As shown in Figure 10, municipalities from Hani i Elezit/Elez Han to Zubin Potok (ranked in alphabetical order), have all reached the maximum sub-index score of 1 index points, implying that they have never used the negotiated procedure without publication during the reporting period. Municipality of Severna Mitrovica/Mitrovicë e Veriut, also has a high score of 0.94 index points, since it has used the NPwP procedure, only in 3% of cases (2 out of 69). The municipality with the lowest performance in this sub-index, is Shtime/Štimlje, with a sub-index score of 0.47 index points. From all municipalities, Shtime/Štimlje has the highest number of contracts awarded through the negotiated procedure without publication (25%), and 8% in value.

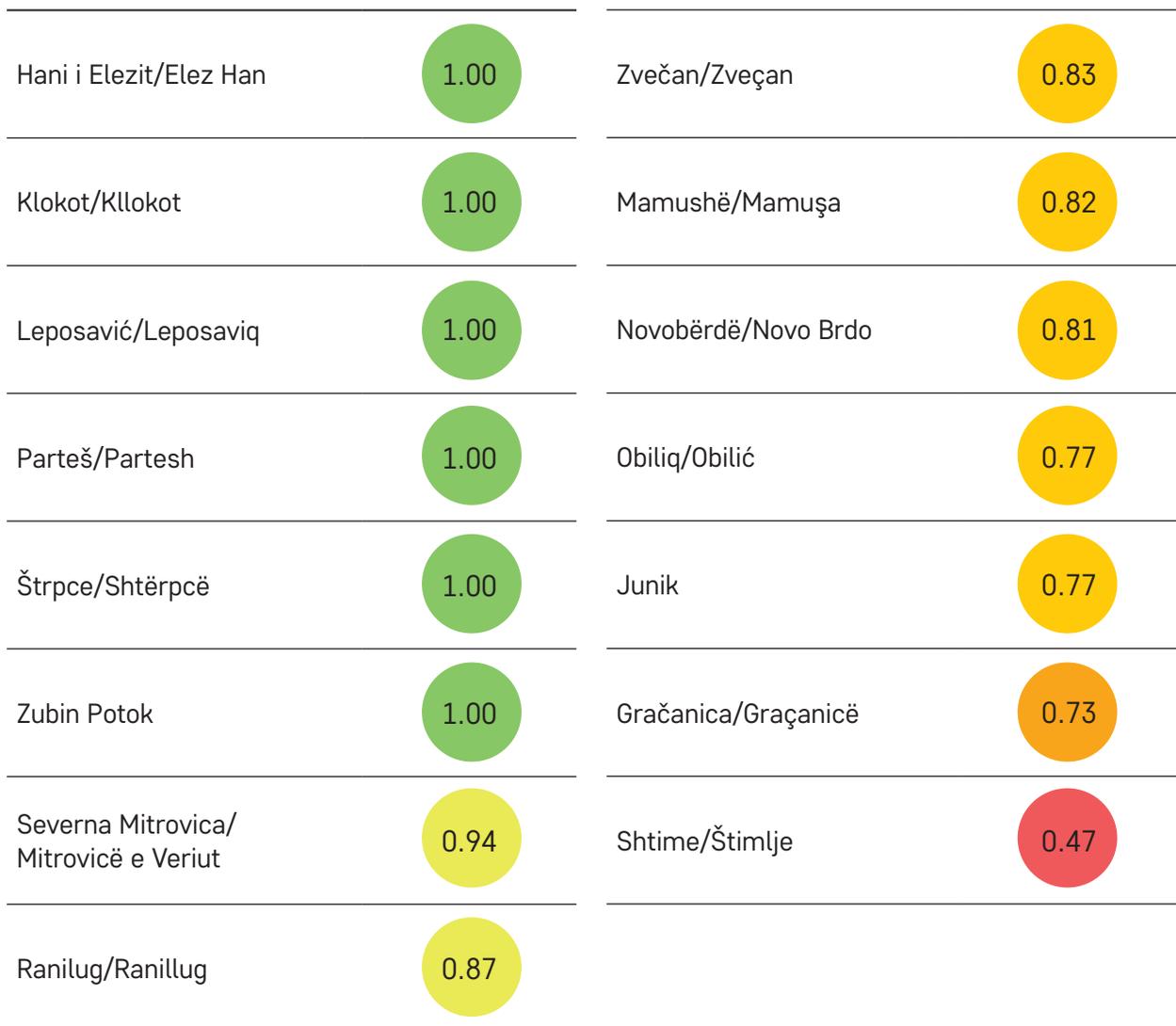


FIGURE 10. COMPETITIVE CONTRACTING (X2) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



X

3

SUB-INDEX 3: CONSISTENT CONDUCT (X3)

Consistent Conduct (x3) is calculated on the basis of all contract notices issued by the respective contracting authority, as obtained from the e-procurement platform, where a score is assigned to each contract. For example, a score of 1 is given to a properly awarded contract without any correction notices, while a minimum score of 0 is given to canceled contracts or those with four corrections or more.

The indicator value is computed as the contracting authority's average score for all its published contracts, as described with the following formula:

$$x3 = \frac{\sum \text{contract score}}{\text{number of contracts}}$$

The aim of the sub-index Consistent Conduct (x3), is to improve the efficiency of procurement officials when preparing a call for a tender. Frequent amendments and cancellations made by procurement officials when preparing or after they have published a call for tender, waste the time of the municipalities themselves, and that of the economic operators. A frequent, repeated amendment or cancellation, results in an increased inefficiency and poor planning. To address this issue, this sub-index penalizes municipalities that frequently cancel or amend calls, and awards those that do the opposite; through a score, system explained in the methodology.

The findings reveal that small-sized municipalities have performed the best in this sub-index, with an average result of 0.89. This may be partly attributed to the fact that small-

sized municipalities have a lower number of procurement activities (i.e. number of contracts). Medium-sized municipalities have an average of 0.86 index points; while large-sized municipalities 0.83 index points.

The performance of large-sized municipalities in this sub-index is revealed by the results shown in Figure 11. As we can see, the municipalities of Pejë/Peć and Podujevë/Podujevo are the most efficient in this category of municipalities, with both of them having a high score of 0.90 index points in this sub-index. Prizren and Mitrovicë/Mitrovica also are highly efficient, with a sub-index score of 0.89 index points. On the other hand, the Municipality of Gjilan/Gnjilane, is the most inefficient municipality in this category, with a sub-index score of 0.65 index points.

LARGE-SIZED MUNICIPALITIES

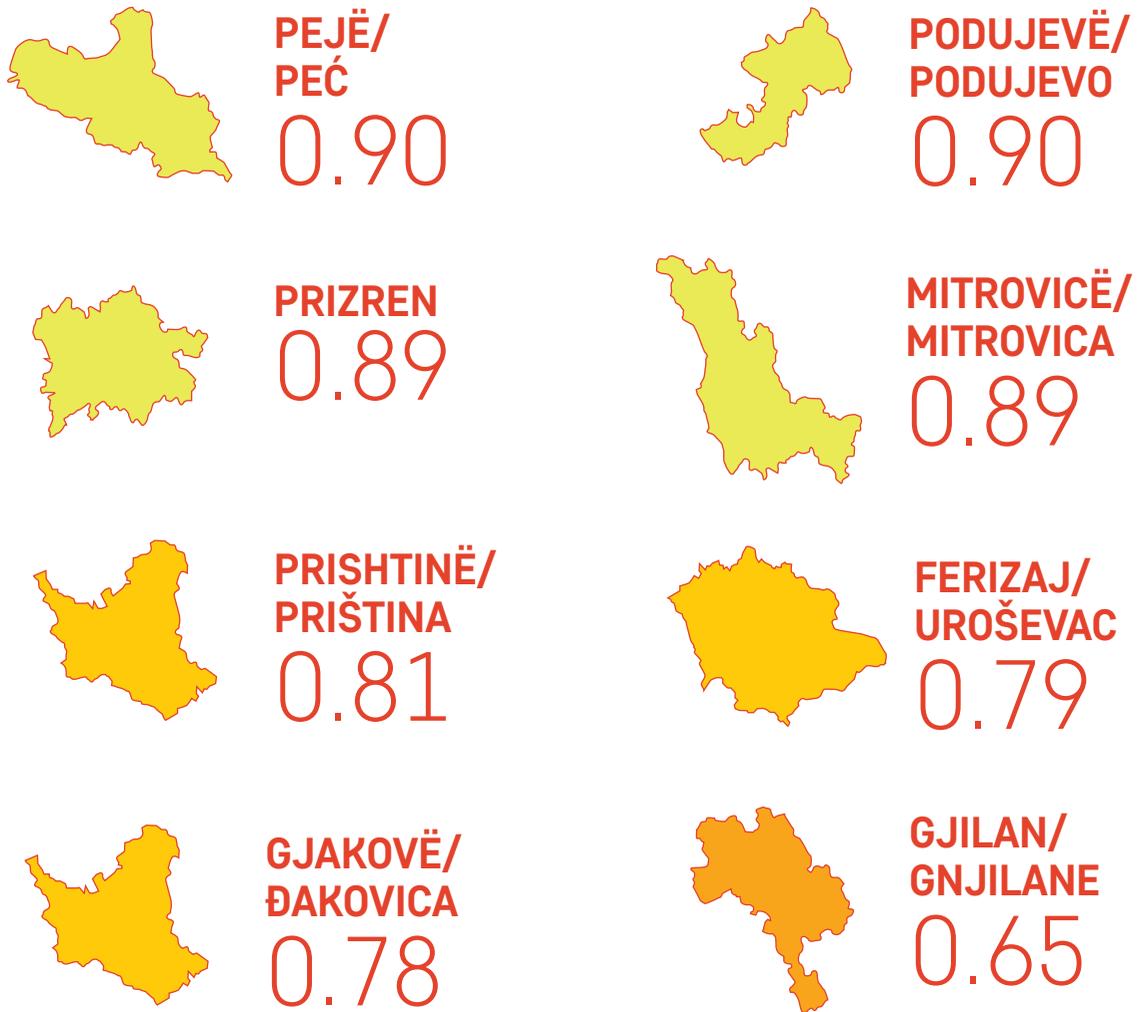


FIGURE 11. CONSISTENT CONDUCT (X3) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x index results do not imply that the procurement procedures used by municipalities are illegal. Cancellations and amendments are necessary procurement procedures in many cases. Nevertheless, frequent usage of them might result in an increase of inefficiency.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0

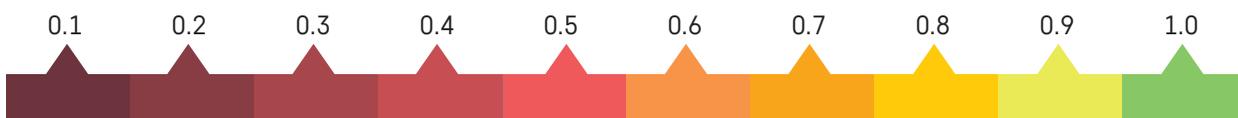
MEDIUM-SIZED MUNICIPALITIES

Figure 12, reveals the performance of medium-sized municipalities. Municipalities of Viti/Vitina (0.94 index points), Deçan/Deçani (0.92 index points), Kamenicë/Kamenica (0.92 index points), Malishevë/Mališevo (0.90 index points), have all scored above the sub-index score of 0.90 index points, and as a result, are the most efficient municipalities in this category. Meanwhile, the municipalities of Klinë/Klina (0.78 index points), Skenderaj/Srbica (0.79 index points), and Vushtrri/Vučitrn (0.79 index points) are ranked as the least efficient municipalities in this category.

Viti/Vitina	0.94	Dragash/Dragaš	0.86
Deçan/Deçani	0.92	Suharekë/Suva Reka	0.84
Kamenicë/Kamenica	0.92	Lipjan/Lipljan	0.83
Malishevë/Mališevo	0.90	Istog/Istok	0.83
Fushë Kosovë/ Kosovo Polje	0.89	Vushtrri/Vučitrn	0.79
Rahovec/Orahovac	0.88	Skenderaj/Srbica	0.79
Gllgovc/Glogovac	0.86	Klinë/Klina	0.78
Kaçanik/Kaçanik	0.86		

FIGURE 12. CONSISTENT CONDUCT (X3) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

As shown in Figure 13, municipalities of Leposavić/Leposaviq (0.99 index points), Klokot/Klokot (0.98 index points), Štrpce/Shtërpçë (0.97 index points), are the most efficient municipalities from the category of small-sized municipalities. The sub-index score of 0.99 index points of the Municipality of Leposavić/Leposaviq, derives from the fact that from 18 notifications for a contract, Leposavić/Leposaviq has had 0 cancelations and only one amendment. Meanwhile, the Municipality of Junik is ranked as the least efficient one in this category, with a sub-index score of 0.76 index points.

Leposavić/Leposaviq	0.99	Obiliq/Obilić	0.87
Klokot/Klokot	0.98	Parteš/Partesh	0.84
Štrpce/Shtërpçë	0.97	Ranilug/Ranillug	0.84
Severna Mitrovica/ Mitrovicë e Veriut	0.96	Shtime/Štimlje	0.82
Zvečan/Zveçan	0.95	Hani i Elezit/Elez Han	0.81
Zubin Potok	0.92	Mamushë/Mamuşa	0.81
Gračanica/Gračanicë	0.91	Junik	0.76
Novobërdë/Novo Brdo	0.89		

FIGURE 13. CONSISTENT CONDUCT (X3) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



X

4

SUB-INDEX 4: WINNERS' CONCENTRATION (X4)

Winners' concentration (x4) is measured as the value and number of all contract(s) awarded to each individual bidder, divided by the total value and number of all contracts awarded by the respective contracting authority; this calculation is made for each successful bidder, and the results are summed. This sub-index is calculated with the following formula:

$$x4 = \{ [1 - \sum (\frac{\text{value of contracts awarded to each bidder}}{\text{total value of contracts}})^2] + [1 - \sum (\frac{\text{number of contracts awarded to each bidder}}{\text{total number of contracts}})^2] \} / 2$$

Awarding a large portion of contracts to a single or a small group of economic operators is a practice that is not recommended, and goes against best practices set by OECD. In fact, a practice like that (even though not necessarily) may raise red flags for corruption affairs. And this is not the only concern regarding this practice. Awarding a large portion of contracts (in value or numbers) also harms competition, since only a single or a small group of economic operators receive contracts. Therefore, sub-index Winner's Concentration (x4) has been created with the objective of avoiding the concentration of large contracts, both in value and number of contracts, in the hands of a single individual with the aim of preventing corruption and fostering competition.

In general, the 38 municipalities performed well in this sub-index, with an average result of 0.82 index points. Large and medium-sized municipalities had a better performance than smaller ones. The average result for large and medium-sized municipalities in this sub-index is 0.89

index points. Meanwhile, the average result of small-sized municipalities in this sub-index is 0.71 index points.

Figure 14, reveals the performance of large-sized municipalities in this sub-index. Municipalities of Prizren (0.96 index points), Prishtinë/Priština (0.94 index points), Pejë/Peć (0.93 index points), as well as Gjakovë/Đakovica (0.91 index points), and Gjilan/Gnjilane (0.91 index points), had all a high performance with a sub-index score above 0.90 index points. This means that these municipalities have avoided the practice of awarding a large portion of contracts (both in value and numbers) to a small group of economic operators.

LARGE-SIZED MUNICIPALITIES

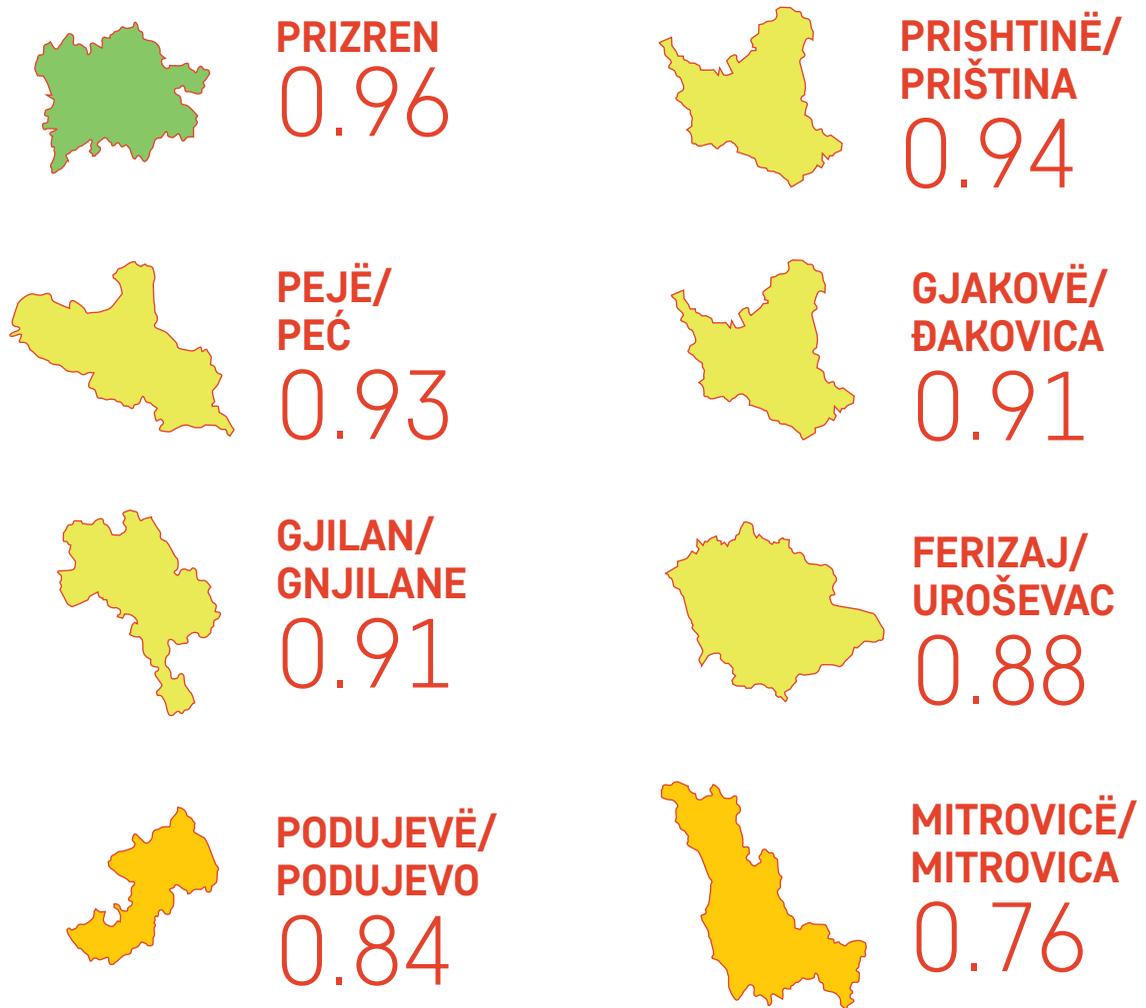


FIGURE 14. WINNERS' CONCENTRATION (X4) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. Based upon the free market principles, it is a contracting authority's decision whether to award all contracts to a small group of economic operators, or to a larger one. However, in cases where contracts are awarded only to a single or a small group of economic operators, competition is harmed and suspicions for corruption might be raised.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0



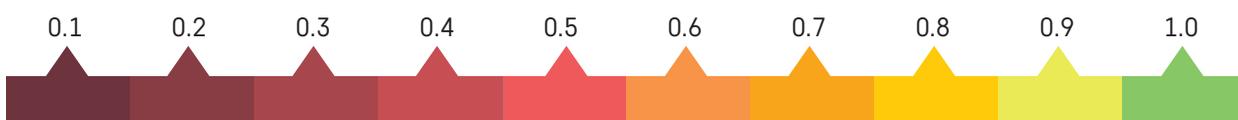
MEDIUM-SIZED MUNICIPALITIES

Figure 15 presents the performance of medium sized municipalities in this sub-index. Municipality of Vushtrri/Vučitrn and Suharekë/Suva Reka lead the category of medium sized municipalities, each with a sub-index score of 0.90; followed closely by Lipjan/Lipljan (0.89), Malishevë/Mališevo (0.88), and Viti/Vitina (0.86). On the other hand, from this category the municipality with the lowest performance in this sub-index is Rahovec/Orahovac, with a 0.05 score. In value, the municipality of Rahovec/Orahovac has awarded 88% of its contracts to a single economic operator.

Malishevë/Mališevo	0.96	Rahovec/Orahovac	0.91
Lipjan/Lipljan	0.93	Glogovc/Glogovac	0.90
Istog/Istok	0.93	Klinë/Klina	0.89
Kaçanik/Kaçanik	0.93	Dragash/Dragaš	0.89
Fushë Kosovë/ Kosovo Polje	0.93	Skenderaj/Srbica	0.81
Suharekë/Suva Reka	0.92	Kamenicë/Kamenica	0.81
Vushtrri/Vučitrn	0.91	Deçan/Dečani	0.78
Viti/Vitina	0.91		

FIGURE 15. WINNERS' CONCENTRATION (X4) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Regarding small sized municipalities, as revealed in Figure 16 the municipality of Obiliq/Obilić has the highest score of 0.82. On the opposite side, the Municipality of Junik is the lowest performer with a sub-index score of 0.002. This means that more than 98 percent of contracts awarded by the Municipality of Junik (in value), went to a single economic operator. Concerning results in this category are also found in the municipalities of Parteš/Partesh (0.12) and Zvečan/Zvečan (0.15).

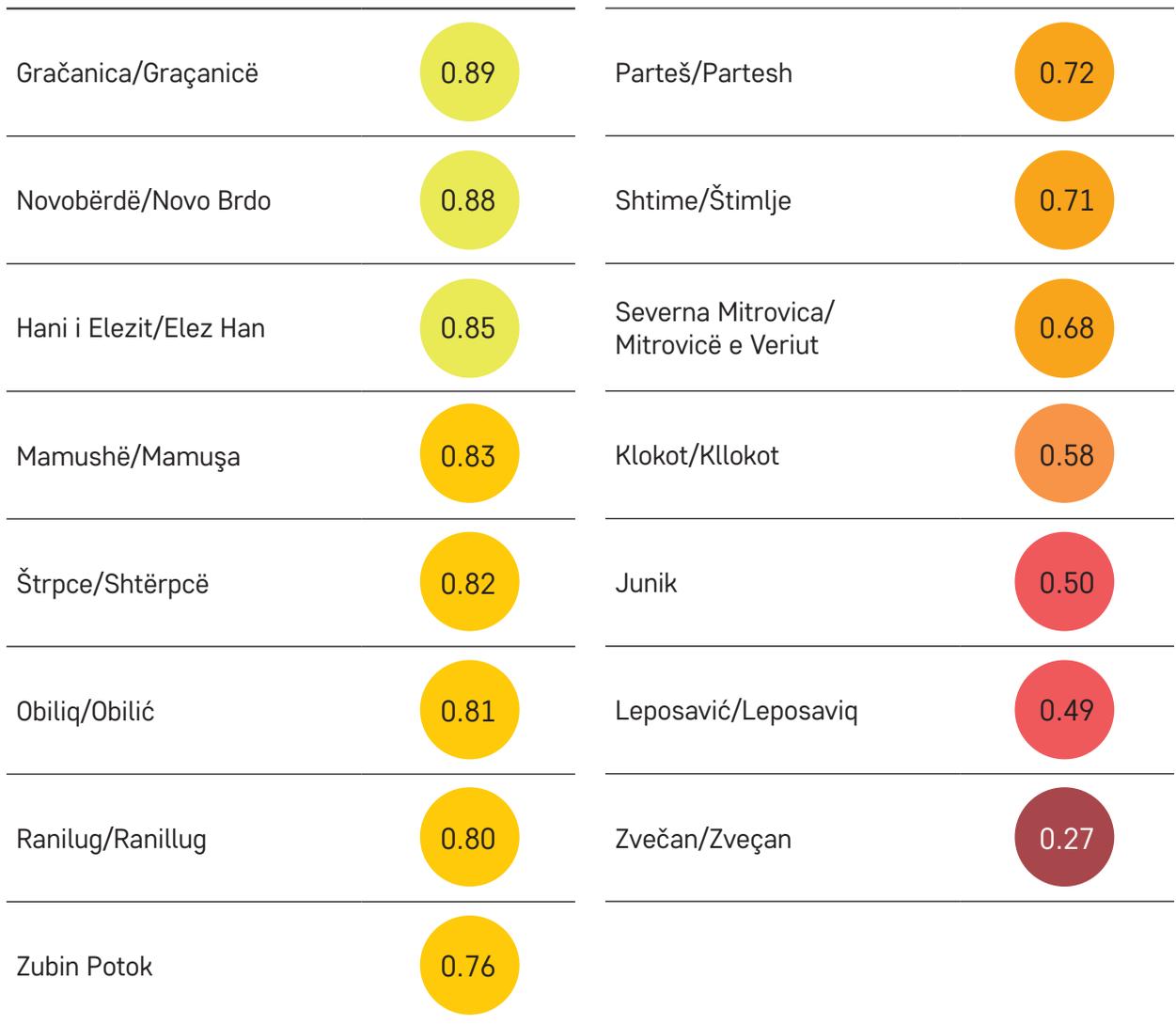


FIGURE 16. WINNERS' CONCENTRATION (X4) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



X

5

SUB-INDEX 5: BIDDER PARTICIPATION (X5)

Bidder participation (x5) is calculated through a two-step process.

In the first step, the level of competition is evaluated for each contract, where sub-indicator k compares the number of tenders submitted for a particular call with the median of a number of tenders for the type of contract. The formula for calculating the partial indicator k is as presented below:

$$k = 0.5 + \frac{\text{tenders submitted per contract} - \text{median of tenders for type of contract (tenders submitted)}}{\text{median in category (tenders submitted)}}$$

The second step in our calculation is to compute the aggregate indicator as to the weighted sum of k indicators across all contracts awarded by the respective contracting authority. The awarded price of every contract is used as its weight, in order to emphasize the indicator results for bigger contracts.

$$x5 = \frac{\sum \text{contract value} * k}{\text{total contracts value}}$$

Bidder Participation (x5), is a sub-index created with the purpose of encouraging municipalities to foster competition within economic operators. It does so by measuring the level of competitiveness based on the number of tenders submitted for each contract call. It is well known that a higher number of offers for a specific call drives competition, and theoretically, as a result, a better quality per price offered. The aim of this indicator is to raise competition by encouraging municipalities' procurement offices to avoid errors such as by preparing a call with requirements that can only be met by a specific bidder or groups of bidders, and therefore exclude others. For this reason, this indicator compares the number of tenders submitted for a particular call with the median number of tenders for the type of contract or procurement. In this model, types of contracts that are taken into consideration or calculated are: public supply contracts, public services contracts, and public work contracts.

Municipalities from all categories did not perform well in this sub-index. The average result of all municipalities in this sub-index is 0.59 index points, which is lower than the average index score (0.70 index points). Compared with each other, large-sized municipalities had the best performance, with an average result of 0.71 index points; followed by medium sized municipalities, with an average result of 0.69 index points. Meanwhile, small-sized municipalities had the lowest performance, with an average result of 0.44 index points. From large-sized municipalities, as shown in Figure 17, Gjakovë/Đakovica (0.88 index points) and Ferizaj/Uroševac (0.85 index points), had the best performance in this sub-index. These results imply that these two municipalities had the highest number this group of submitted for a call. On the other hand, from small-sized municipalities, Municipality of Mitrovicë/Mitrovica has the lowest performance, with a sub-index score of 0.48 index points.

LARGE-SIZED MUNICIPALITIES

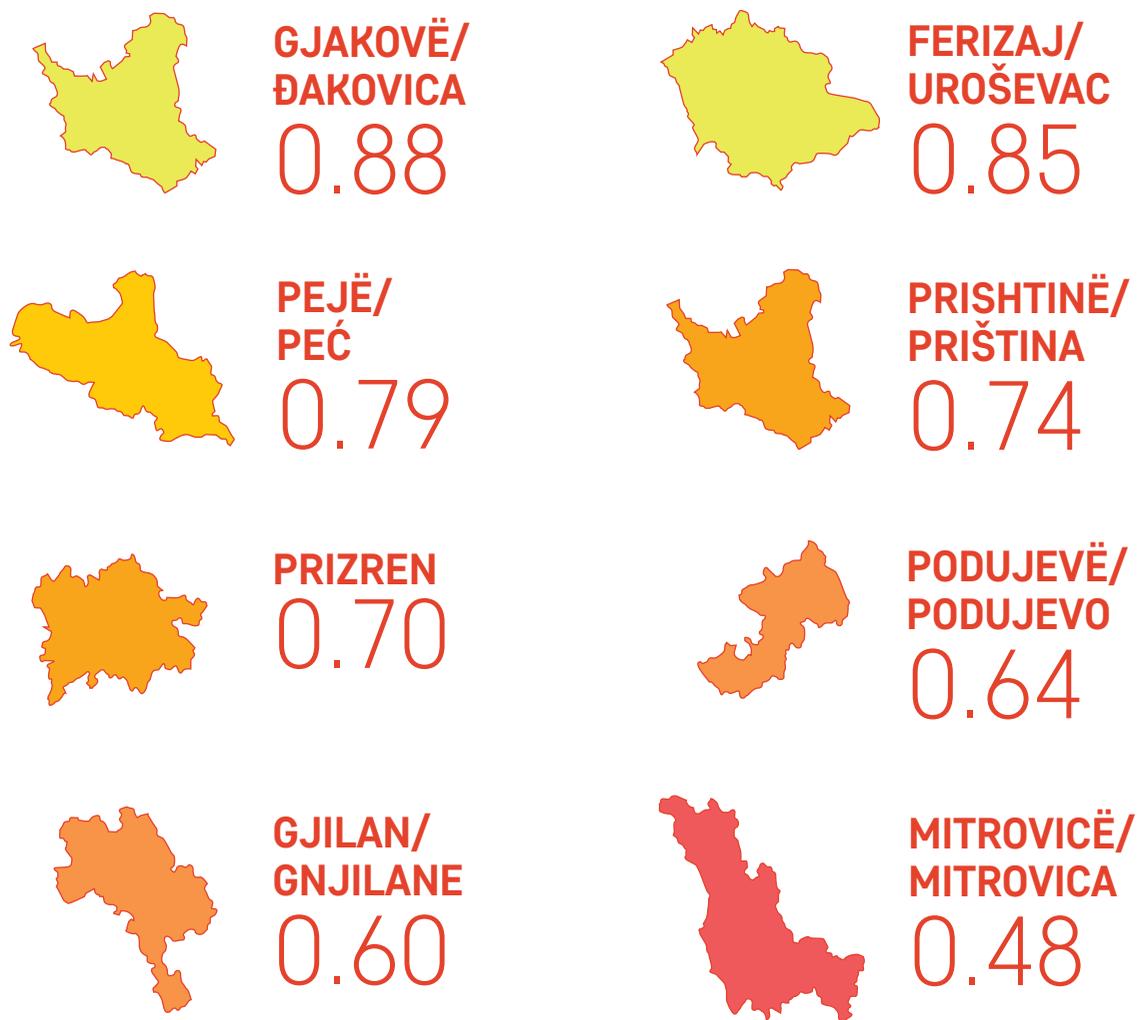


FIGURE 17. BIDDER PARTICIPATION (X5) FOR LARGE SIZED-MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. It is legal and accepted for contracting authorities to accept only a single offer when a call for a tender is published. However, the lower the number of offers, the lower the competition and the quality of offers.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0

MEDIUM-SIZED MUNICIPALITIES

When compared in total, medium-sized municipalities had similar performance with large ones, in this sub-index; with an average result of 0.69 index points. As seen in Figure 18, municipalities of Deçan/Dečani and Rahovec/Orahovac had the best performance in this category, with a sub-index score of 0.87 index points; followed closely by Viti/Vitina and Skenderaj/Srbica, both with a sub-index score of 0.84 index points. Meanwhile, the municipality of Istog/Istok is ranked at the bottom of this category, with a sub-index score of 0.43 index points.

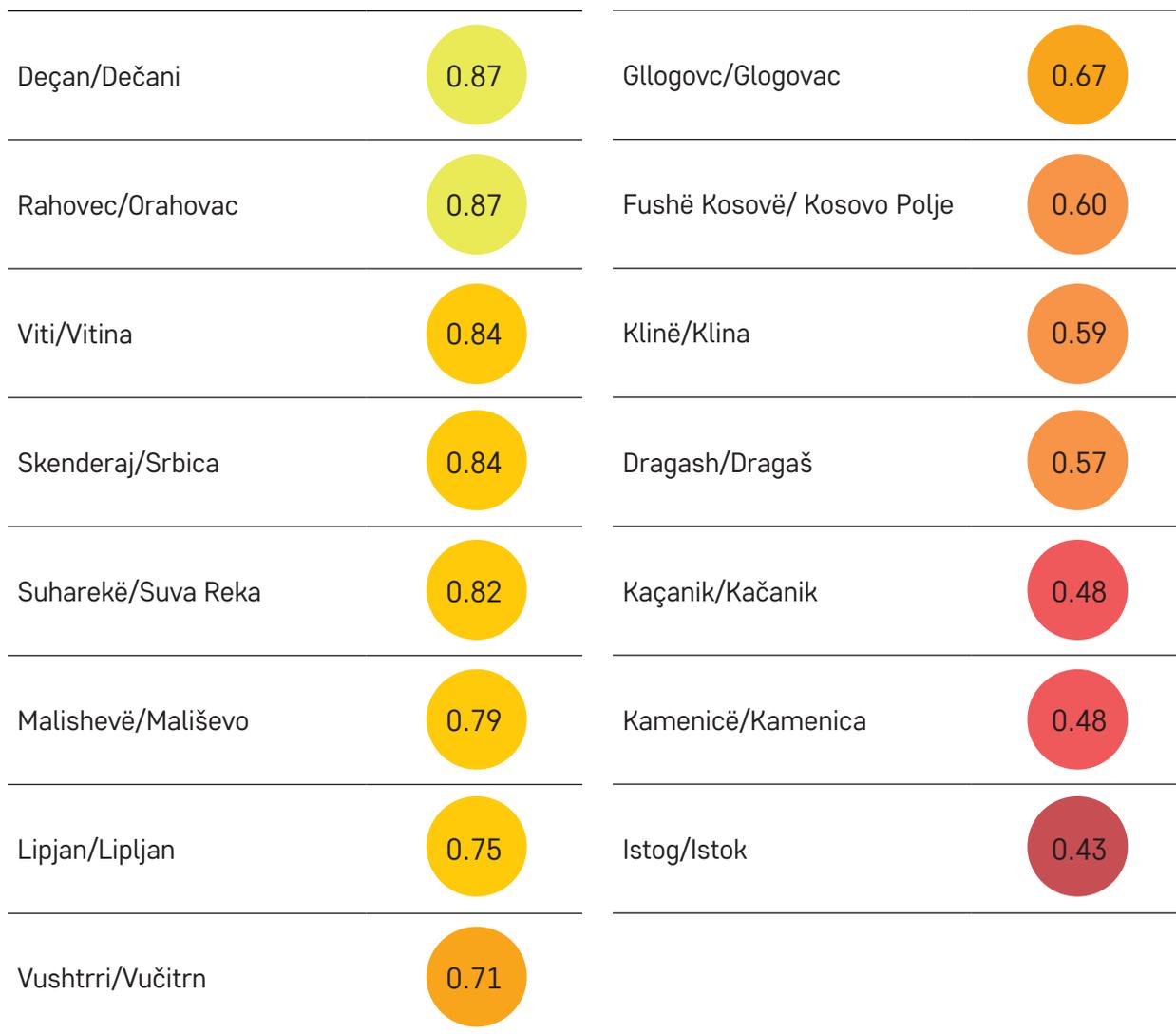
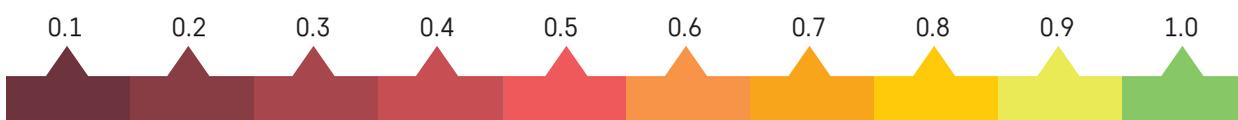


FIGURE 18. BIDDER PARTICIPATION (X5) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



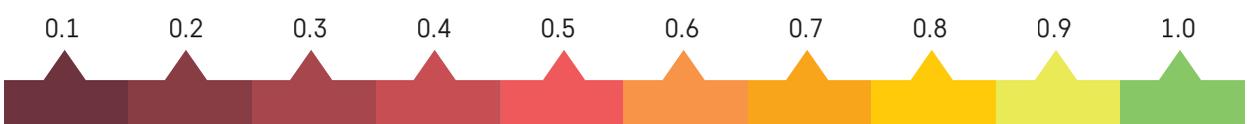
SMALL-SIZED MUNICIPALITIES

Small-sized municipalities' average score of 0.44 index points in this sub-index, reveals the poor performance of these municipalities in this sub-index, and the difference between them, and medium and large municipalities. Results shown in Figure 19, reveal that the municipality with the best performance is Klokot/Kllokot, with nearly a maximum sub-index score of 0.99 index points. On the other hand, concerning results are those of the municipalities of Zvečan/Zvečan (0.00 index points), Zubin Potok (0.02 index points), and Leposavić/Leposaviq (0.04 index points). The median number of tenders admitted for a call by these municipalities was 1.



FIGURE 19. BIDDER PARTICIPATION (X5) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION





SUB-INDEX 6: PRO-COMPETITIVE TOOLS (X6)

Pro-competitive tools (x6) evaluates to what extent each municipality uses optional procompetitive tools, which go beyond their legal obligations but support a competitive environment in public procurement.

The following formula is used to calculate this indicator:

$$x6 = \left(\frac{4x(\text{nr. of contract split into lots} + \text{nr. of contracts using quality based criteria})}{2x \text{ nr. of contracts}} \right)^{1/2}$$

Sub-index Pro competitive tools (x6), is created with the idea of encouraging municipalities to foster competition in public procurement, through competitive tools that rather than being mandatory, are optional but effective. In this model, the focus regarding these competitive tools has been in the number of contracts that municipalities split into lots, and in the number of contracts that use quality as a criterion to award a contract, rather than price. Splitting contracts into lots enable contracting authorities to ensure maximum competition for each element of the procurement. This instrument also facilitates SMEs' access to public contracts, as it reduces the qualification requirements, and separates simpler work that can be performed by a broader range of bidders from more specialist tasks. While the tool evaluating tenders not only by price but also by quality aims to upgrade competition above a simple price war with the cheapest and lowest quality good.

From all sub-indexes, municipalities have performed the worst in this one, with an average sub-index score of 0.27 index points. This poor result originates from the fact that in more than 99% of cases, municipalities used price as a cri-

terion for awarding a contract, rather than quality. This fact was also mentioned in the European Commission's Progress Report document for Kosovo. Also, municipalities used the procompetitive tool of splitting contracts into lots, only in 7% of cases.

Compared to medium and small-sized municipalities, large-sized municipalities performed better in this sub-index, with an average result of 0.41 index points; followed by medium-sized municipalities, with an average of 0.35. Meanwhile, small-sized municipalities had the lowest average (0.12 index points) from the three sized categories of municipalities.

Figure 20, reveals the performance of large-sized municipalities in this sub-index. Municipalities of Mitrovicë/Mitrovica and Gjakovë/Đakovica have used optional competitive tools the most in this category of municipalities, both with a sub-index score of 0.56 index points. Meanwhile, on the other hand, municipalities of Pejë/Peć and Podujevë/Podujevo have used them the least, with a sub-index score of 0.21 index points, and 0.25 index points respectively.

LARGE-SIZED MUNICIPALITIES

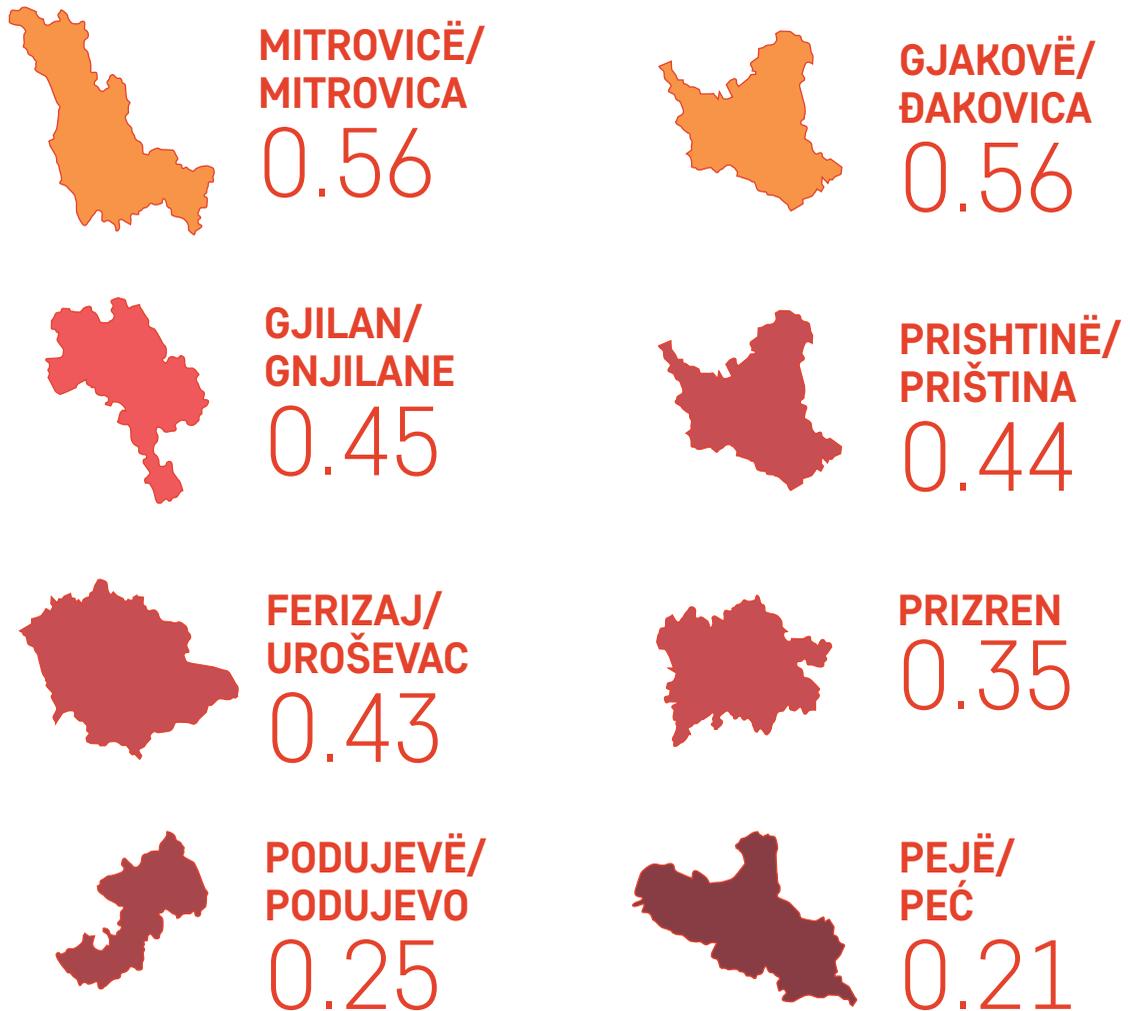


FIGURE 20. PRO COMPETITIVE TOOLS (X6) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. Splitting contract into lots, and evaluating contracts by quality are all additional activities which increase competition within economic operators. However, they are not mandatory, but the lower the results in this sub-index, the lower the contracting authorities' efforts to increase competition.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0



MEDIUM-SIZED MUNICIPALITIES

From medium-sized municipalities, Dragash/Dragaš and Istog/Istok stand the best. As seen in Figure 21, both these municipalities have a sub-index score of 0.71 index points, and therefore are the municipalities that have used mostly pro-competitive tools. Both these municipalities never used quality over price as a criterion, however, 26% of Dragash/Dragaš's contracts, and 30% Istog/Istok's, were split into lots. On the other hand, the lowest sub-index score (0.00) of Lipjan/Lipljan and Skenderaj/Srbica, means that these municipalities never used any of the pro-competitive tools in this sub-index.

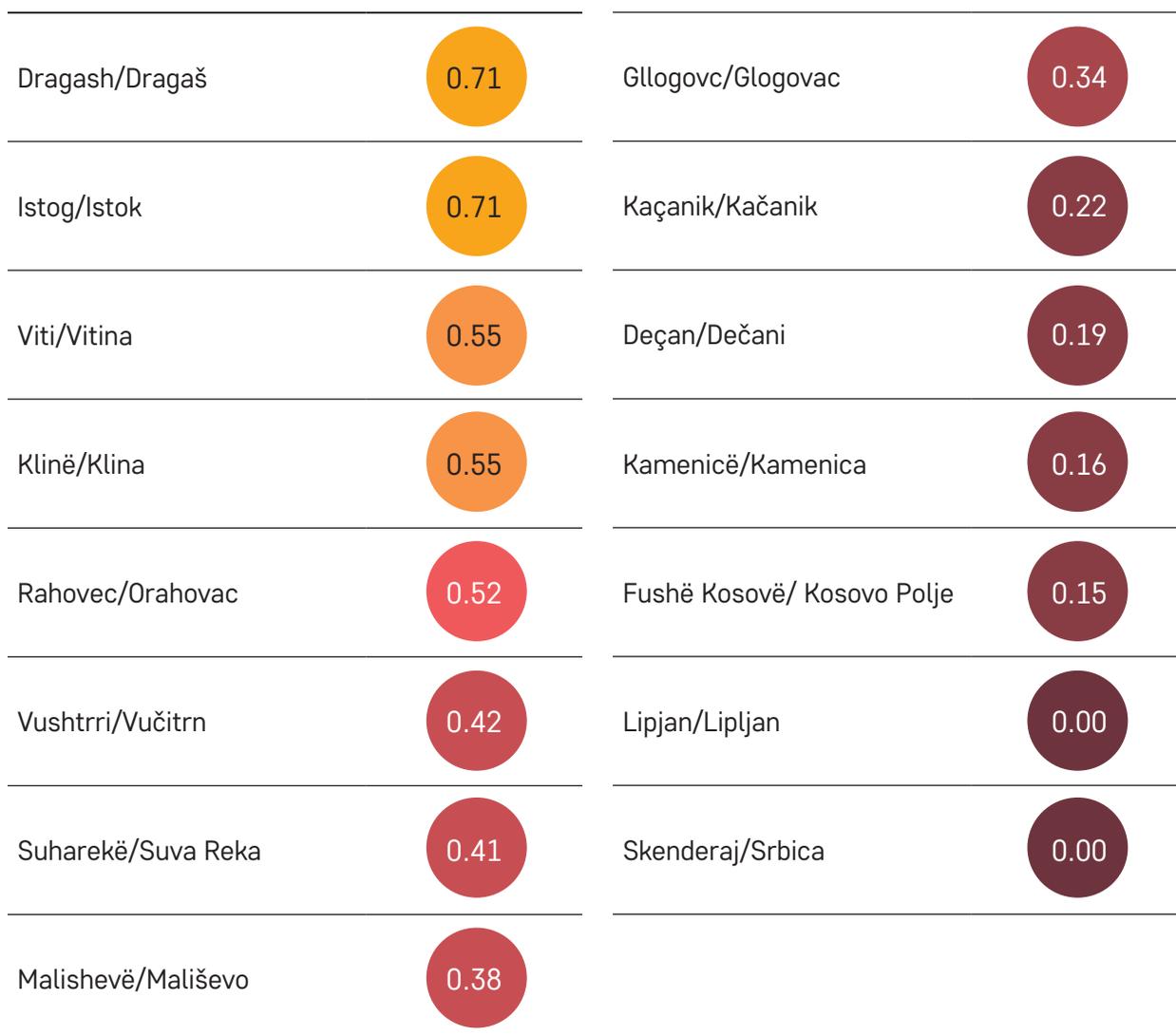
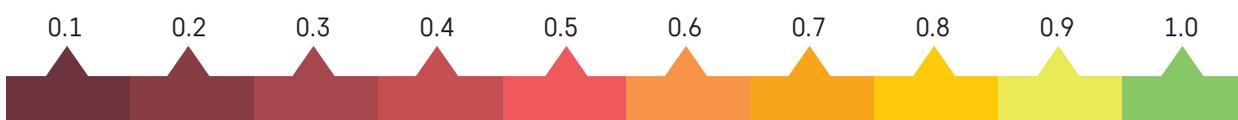


FIGURE 21. PRO COMPETITIVE TOOLS (X6) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Small-sized municipalities stand the worst in this sub-index. 60% of them have never used any of the pro-competitive tools in this model. As seen in Figure 22, municipalities from Junik to Zvečan/Zveçan have all received the minimum sub-index score of 0.00 index points, as a result of not using any of the pro-competitive tools. Meanwhile, municipalities of Hani i Elezit/Elez Han, and Novobërdë/Novo Brdo are the municipalities that have fostered competition the most from this category of municipalities, with a sub-index score of 0.43, and 0.41 index points respectively.

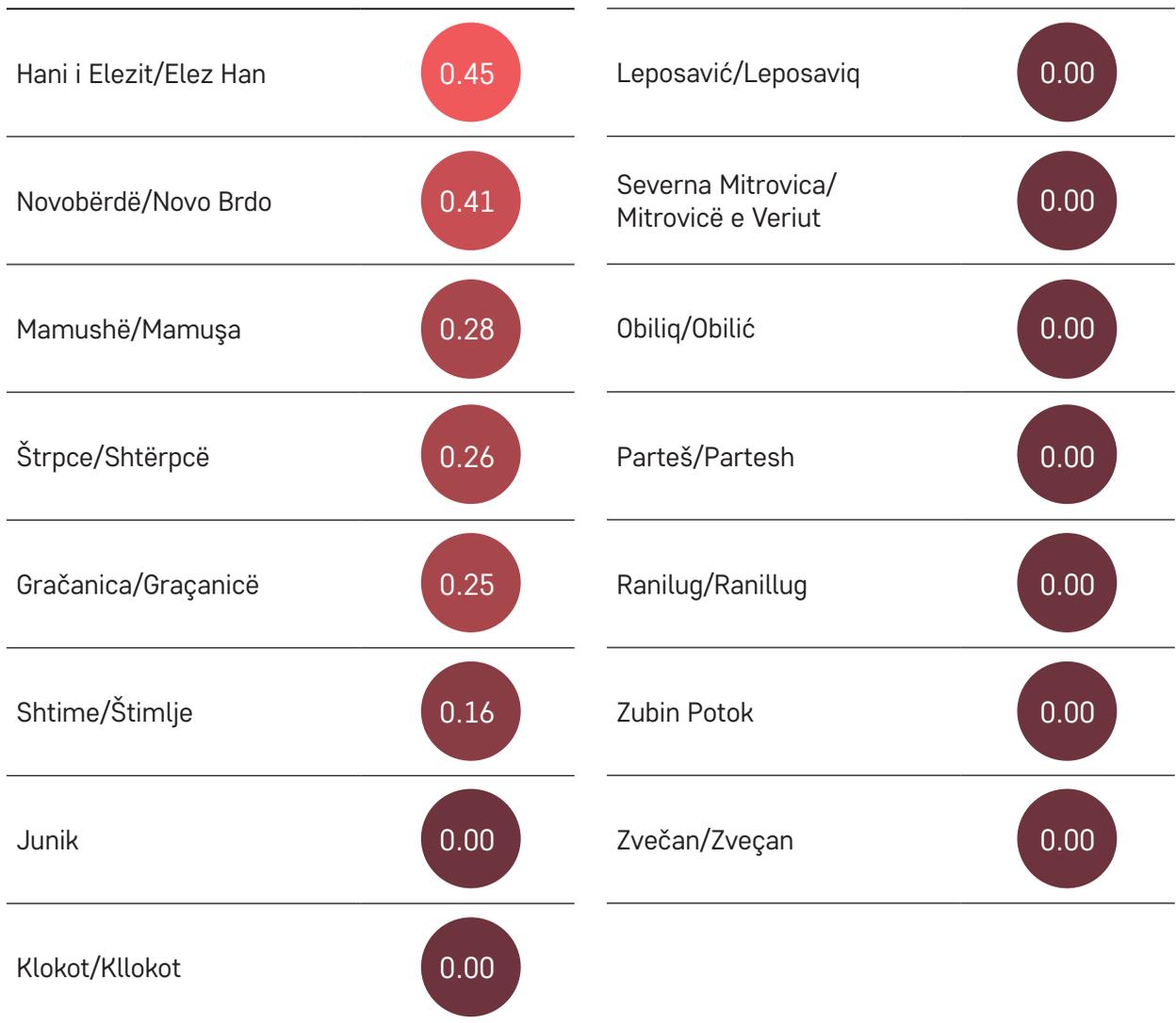


FIGURE 22. PRO COMPETITIVE TOOLS (X6) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



X

7

SUB-INDEX 7: LEGAL MISCONDUCT (X7)

Legal misconduct (x7) is measured as the value of all serious misconduct cases (judged by PRB), divided by the number of contracts. In order to evaluate this indicator, we browsed through all PRB rulings related to municipalities' procurement contracts, and we focused on PRB's decisions where misconduct has been proven, throughout January-December 2018. The formula used to calculate this indicator is as follows:

$$x7 = 1 - \left(\frac{\text{number of serious misconducted cases}}{\text{number of contracts}} \right)^{1/4}$$

The legality of procurement decisions taken by the contracting authority, and proven by the Procurement Review Body (PRB), is a prerequisite not only for best practices in procurement but also for the functionality and legality of the decision itself. A frequent ruling of PRB in disfavor of contracting authority (municipality), may call into question the competence of municipality when making decisions regarding public procurement activities, in front of economic operators, as well as the general public. Also, a frequent ruling of PRB decisions in disfavor of municipalities, suggests a greater level of inefficiency in awarding contracts. Therefore, sub-index Legal Misconduct (x7), reflects the number of cases of misconduct detected and penalized by the Procurement Review Body (PRB), which is the authorized body for reviewing the legality of public procurement practices of contracting entities.

Municipalities did not perform very well in this sub-index, with an average result of 0.65 index points, a result which is below the xindex average of 0.70 index points. Small-sized municipalities, performed better than large and medium-sized municipalities, with an average result of 0.80

index points; meaning that they had a lesser number of serious misconduct cases ruled by PRB, as a share of their contracts. Medium-sized municipalities, had an average result of 0.58 index points, while large-sized municipalities 0.48 index points.

From large-sized municipalities, as seen in Figure 23, the municipality of Podujevë/Podujevo performed the best, with a sub-index score of 0.70 index points; followed by Pejë/Peć, with a sub-index score of 0.61 index points. On the other hand, the Municipality of Gjilan/Gnjilane is the municipality with the largest number of misconducts ruled by PRB, with respect to their number of contracts. From a total of 60 notifications of awarded contracts, PRB ruled 15 of them, and for this reason municipality of Gjilan/Gnjilane received the low sub-index score of 0.29 index points.

LARGE-SIZED MUNICIPALITIES

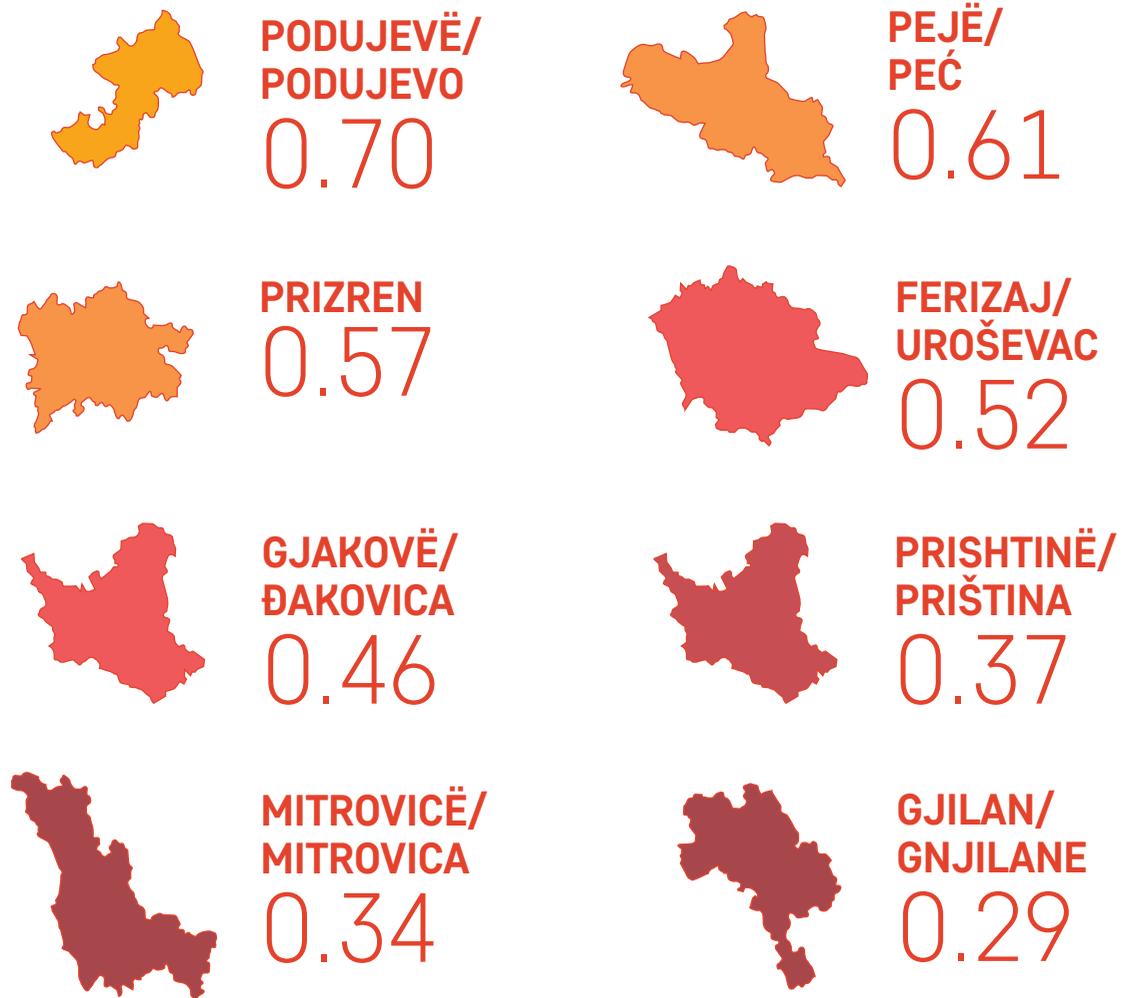


FIGURE 23. LEGAL MISCONDUCT (X7) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. A frequent number of rulings by PRB against contracting authority's decisions and in favor of economic operators, impacts negatively contracting authority's efficiency and may raise questions regarding the competency of procurement officials when making decisions that are ruled by PRB.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0

MEDIUM-SIZED MUNICIPALITIES

Medium-sized municipalities, had a better performance than large ones, with an average result of 0.58 index points in this sub-index. As seen in Figure 24, Municipality of Dragash/Dragaš received the maximum sub-index of 1, due to the fact that it did not have any ruling in its disfavor by PRB, despite the fact that it had a relatively large number of contracts (77). On the other hand, the municipality of Viti/Vitina received the lowest sub-index score (0.39 index points) in this category.

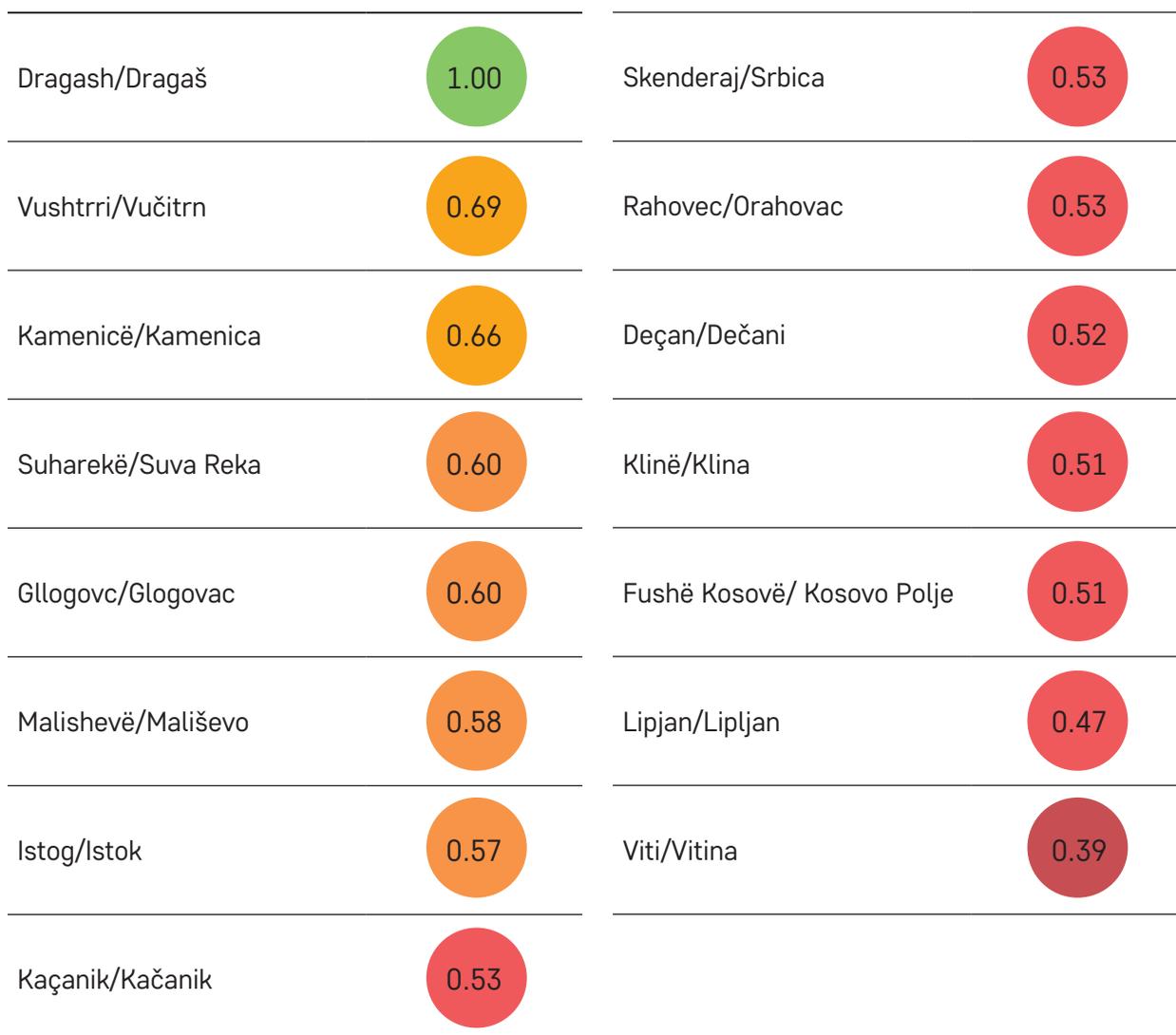
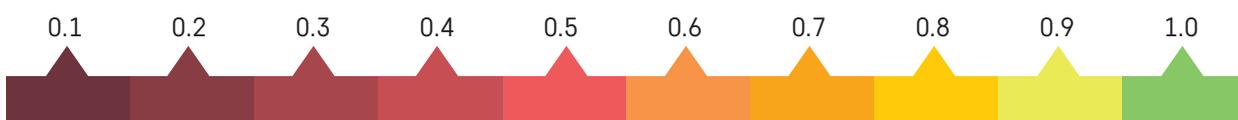


FIGURE 24. LEGAL MISCONDUCT (X7) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Small-sized municipalities had the best performance in this sub-index, with an average result (0.80 index points) significantly higher than large and medium ones. As shown in Figure 25, municipalities from Gračanica/Gračanice to Zvečan/Zvečan, or half of them (53%), received the maximum sub-index score of 1. This means that these municipalities never had a contract ruled in their disfavor by PRB.

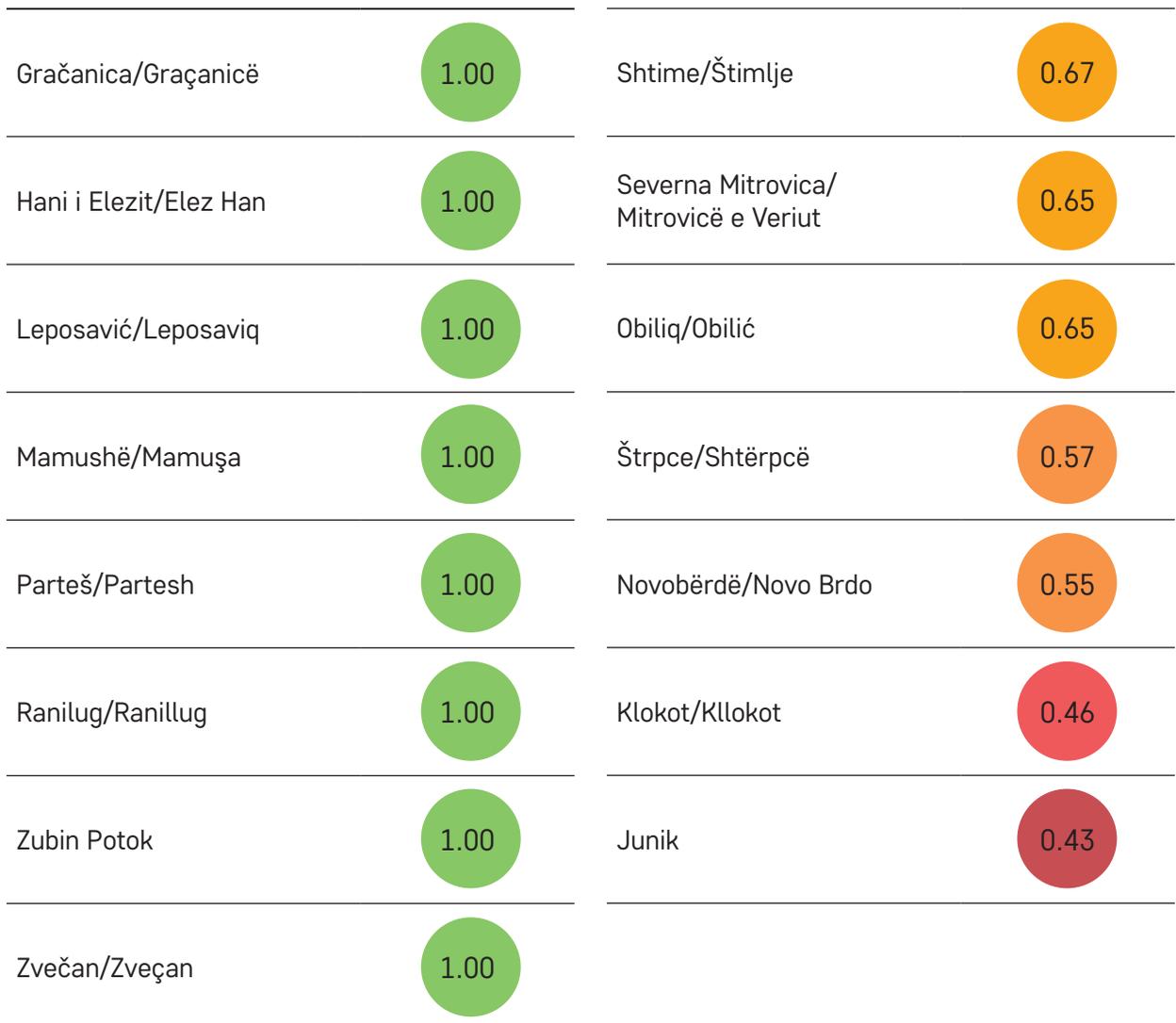


FIGURE 25. LEGAL MISCONDUCT (X7) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SUB-INDEX 8: PROCUREMENT PLANNING ACCURACY (X8)

Procurement planning accuracy (x8) is measured in a three step process.

The deviation between the estimated contract value and the contract's total final value is measured in the first step by finding the difference between the estimated contract value and the final contract value. The difference is expressed as a percentage by dividing the deviation value with the estimated contract value or with the final contract value, depending on which one is smaller.

In the second step, the planning process is assessed for each contract, with the following formula:

$$\text{Assessment} = 1 - \text{Deviation (expressed in percentage)}$$

In the third and final step, the following formula is applied:

$$X8 = \frac{\sum(\text{Final value of contract} \times \text{Assessment})}{\sum \text{Final value of contract}}$$

When speaking of efficiency in public procurement, planning plays a crucial role. Accurate planning and realization enables municipalities to allocate financial and human resources, in the most efficient way. For this purpose, sub-index Procurement Planning Accuracy (x8) compares the difference between the initial estimated contract value set by the municipality when publishing a call for a tender with the total final value with which the contract is signed with the economic operator. The objective of this indicator is to increase the efficiency of municipalities' planning process when setting the estimated prices of contracts, and therefore reducing the deviation between the estimated contract value and the total final value of the contract.

Municipalities performed well in this sub-index, with an average result of 0.74 index points, which is above the gener-

al index average result of 0.70 index points. Small-sized municipalities, had the best performance in this sub-index, with an average result of 0.83. Meanwhile, large and medium-sized municipalities, on average did not differ much, with large-sized municipalities having an average result of 0.67 index points and medium-sized 0.68 index points.

Figure 26, shows the performance of large-sized municipalities in this sub-index. In this category of municipalities, Mitrovicë/Mitrovica is the most efficient municipality in planning, with a sub-index score of 0.86. Meanwhile, the Municipality of Ferizaj/Uroševac has the lowest sub-index score in this category, 0.51 index points, and therefore is the municipality with the largest deviation between planning and realization.

LARGE-SIZED MUNICIPALITIES

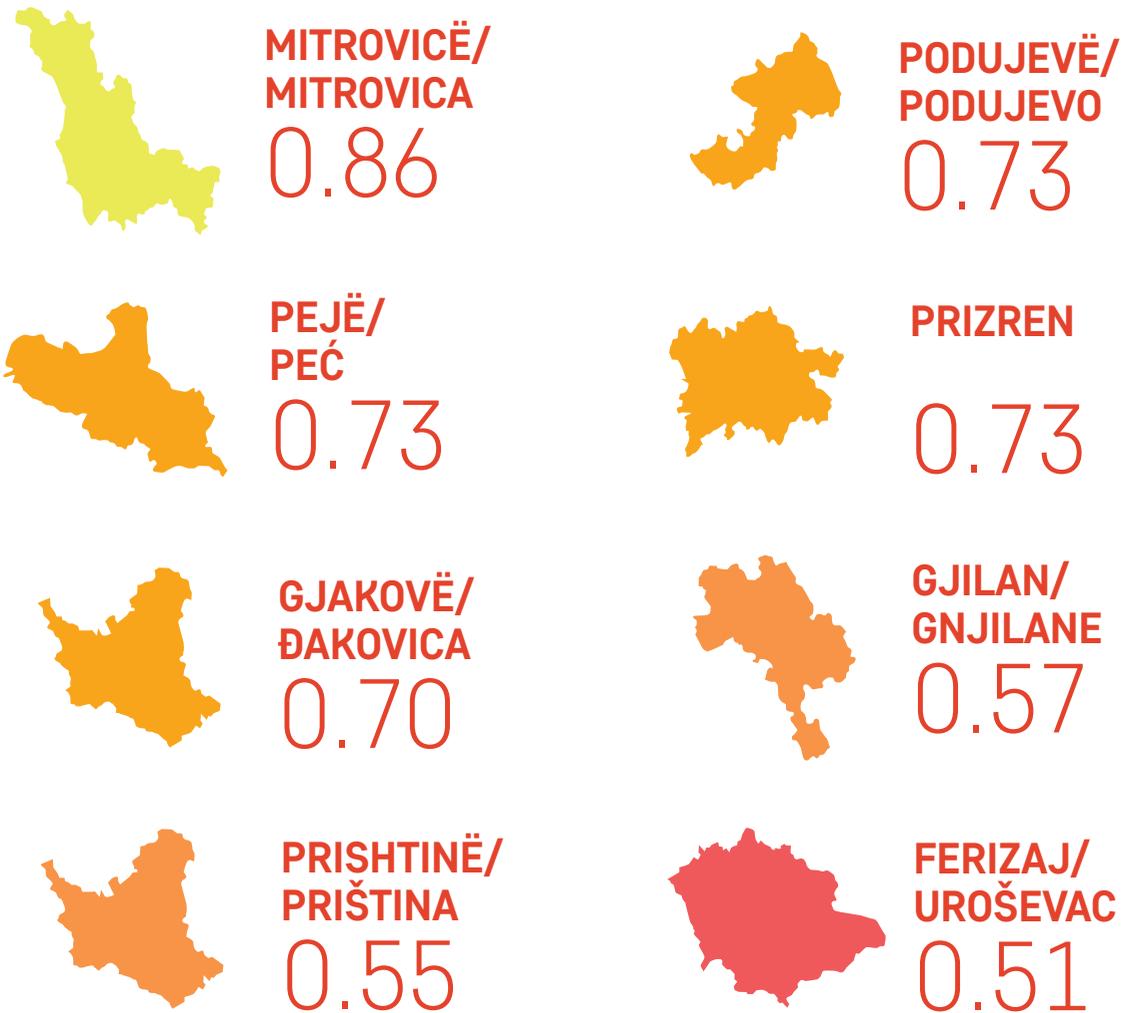


FIGURE 26. PROCUREMENT PLANNING PROCESS (X8) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



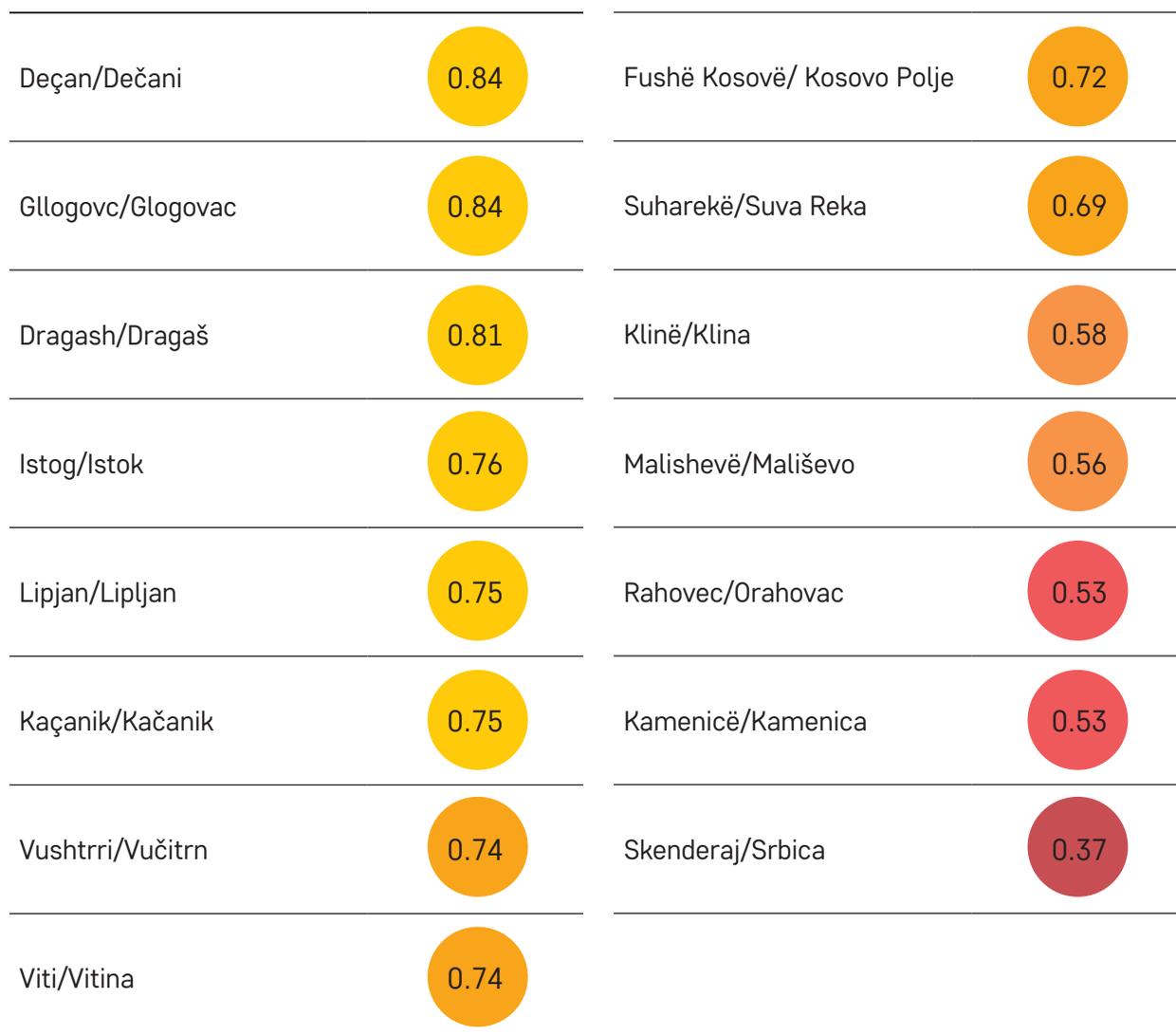
The x-index results do not imply that the procurement procedures used by municipalities are illegal. There are no regulations that determine the difference between the initial estimated contract value and the total final value. However, the smaller the difference, the higher the efficiency of contracting authorities in the planning process.

0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1.0



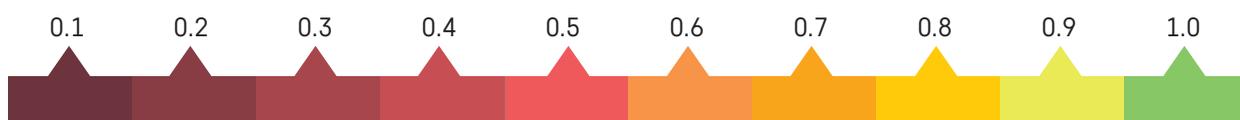
MEDIUM-SIZED MUNICIPALITIES

From the medium-sized municipalities, Deçan/Deçani and Glogoc/Glogovac, as shown in Figure 27, are the best performing municipalities, each with a sub-index score of 0.84. Municipality of Dragash/Dragaš also is a good performance, with a sub-index score of 0.81 index points. On the other hand, sitting at the bottom of this category of municipalities, is Skenderaj/Srbica, with a low sub-index score of 0.37 index points.



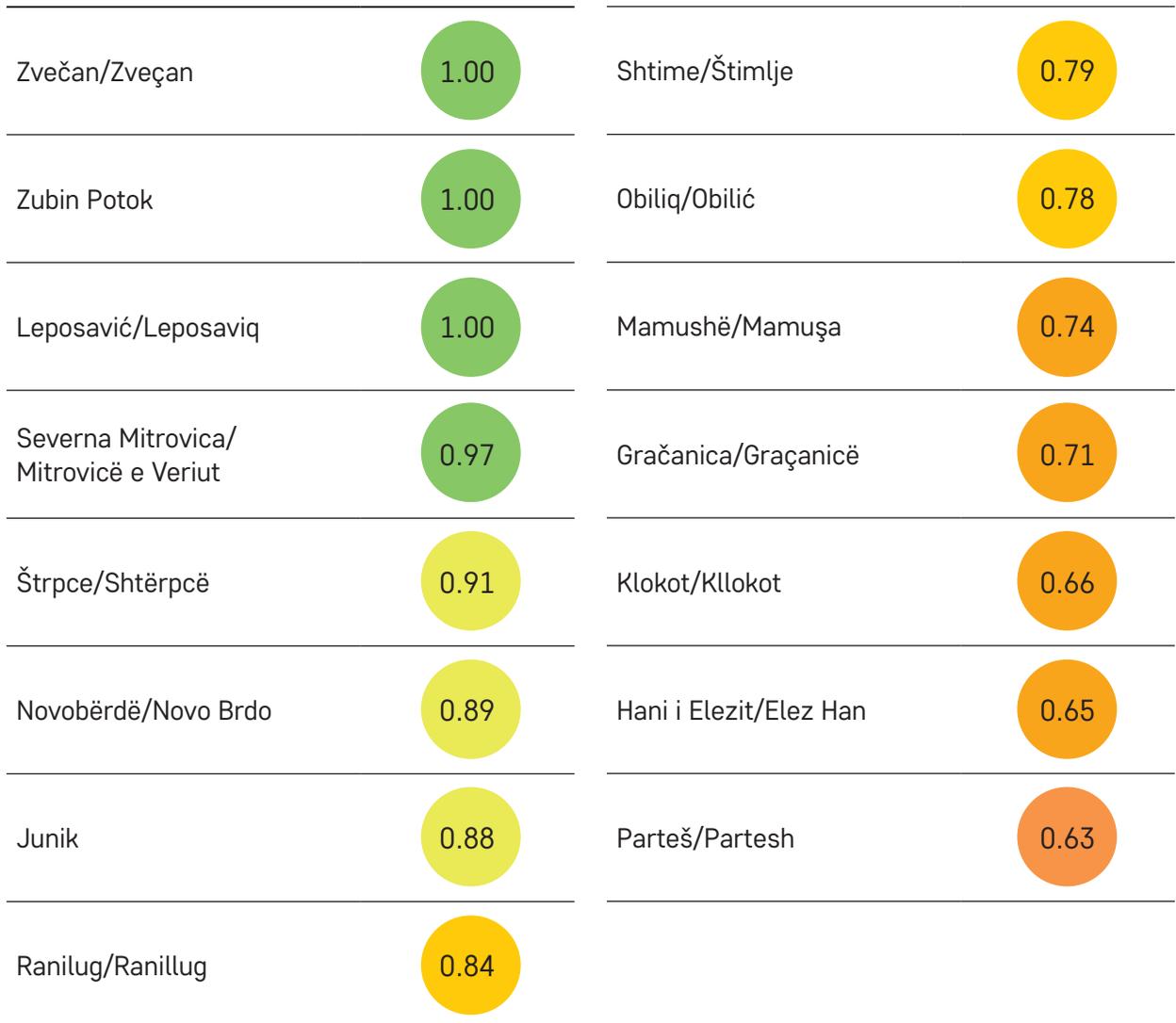
**FIGURE 27. PROCUREMENT PLANNING PROCESS (X8)
FOR MEDIUM-SIZED MUNICIPALITIES**

SOURCE: AUTHORS' OWN ESTIMATION



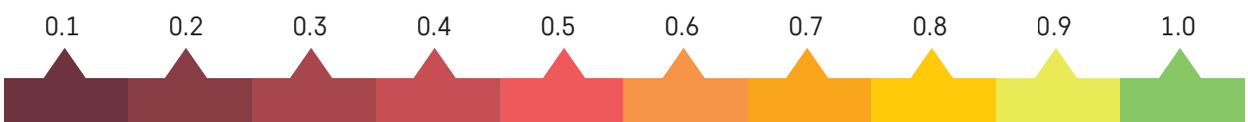
SMALL-SIZED MUNICIPALITIES

Municipalities of Zvečan/Zvečan, Zubin Potok, and Leposavić/Leposaviq, have all received the maximum score of 1 in this sub-index. The high performance and maximum result of 1 of these municipalities, means that the deviation between the planning and realization process was nearly inexistent. Severna Mitrovica/Mitrovicë e Veriut and Štrpce/Shtërpçë, also have performed very well in this sub-index, with a score of 0.97, and 0.91 index points respectively.



**FIGURE 28. PROCUREMENT PLANNING PROCESS (X8)
FOR SMALL-SIZED MUNICIPALITIES**

SOURCE: AUTHORS' OWN ESTIMATION





SUB-INDEX 9: TENDER SUBMISSION DEADLINE (X9)

Tender submission deadline (x9) is measured as the value of all contract notices that have used accelerated procedures, divided with the total number of contract notices. The formula for calculating x9, is as follows:

$$x9 = 1 - \left(\frac{\text{No. of contract notices that have used accelerated procedures}}{\text{No. of contract notices}} \right)^{1/2}$$

Sub-index Tender Submission Deadline (x9), has been created with the idea of preventing municipalities from using frequently the accelerated procedure. The frequent usage of the accelerated procedure, reduces the time at the disposal of economic operators, to prepare their offers in the best possible way, and therefore might result in harming competition, rather than fostering it. Depending on the type, size, and procedure of a contract notice, the usage of time limits is set clearly and regulated by Kosovo's Procurement Law. Article 44 of Kosovo's Procurement Law stipulates that the time limit set by a contracting authority should be sufficiently long so that it gives the interested economic operators a reasonable amount of time to prepare and submit a bid. Nevertheless, Article 46 stipulates that contracting authorities, in this case, municipalities, are allowed to use special rules that permit the usage of accelerated time limits, in special cases such as urgencies and other similar circumstances.

Municipalities performed above the average xindex score of 0.70 index points. The average result for municipalities

in this sub-index was 0.63 index points. Medium-sized municipalities are the municipalities that have used the least the accelerated procedure, with an average result of 0.71 index points; followed by large-sized municipalities with an average of 0.64 index points. Meanwhile, small-sized municipalities have a lower average result of 0.55 index points and result as municipalities that have used the most the accelerated procedure.

From large-sized municipalities, as seen in Figure 29, Municipality of Pejë/Peć is the best performer, with a sub-index score of 0.84 index points. From 74 contract notices that the Municipality of Pejë/Peć has had, it has used the accelerated procedure only in 2 cases (or 3%). Municipality of Prizren also had a good performance, with a sub-index score of 0.82 index points. Meanwhile, from large-sized municipalities, Mitrovicë/Mitrovica is the municipality that has used the most accelerated procedure, with a sub-index score of 0.40 index points. From a total of 42 contract notices, Mitrovicë/Mitrovica has used the accelerated procedure in 15 of them, or 36% of cases.

LARGE-SIZED MUNICIPALITIES

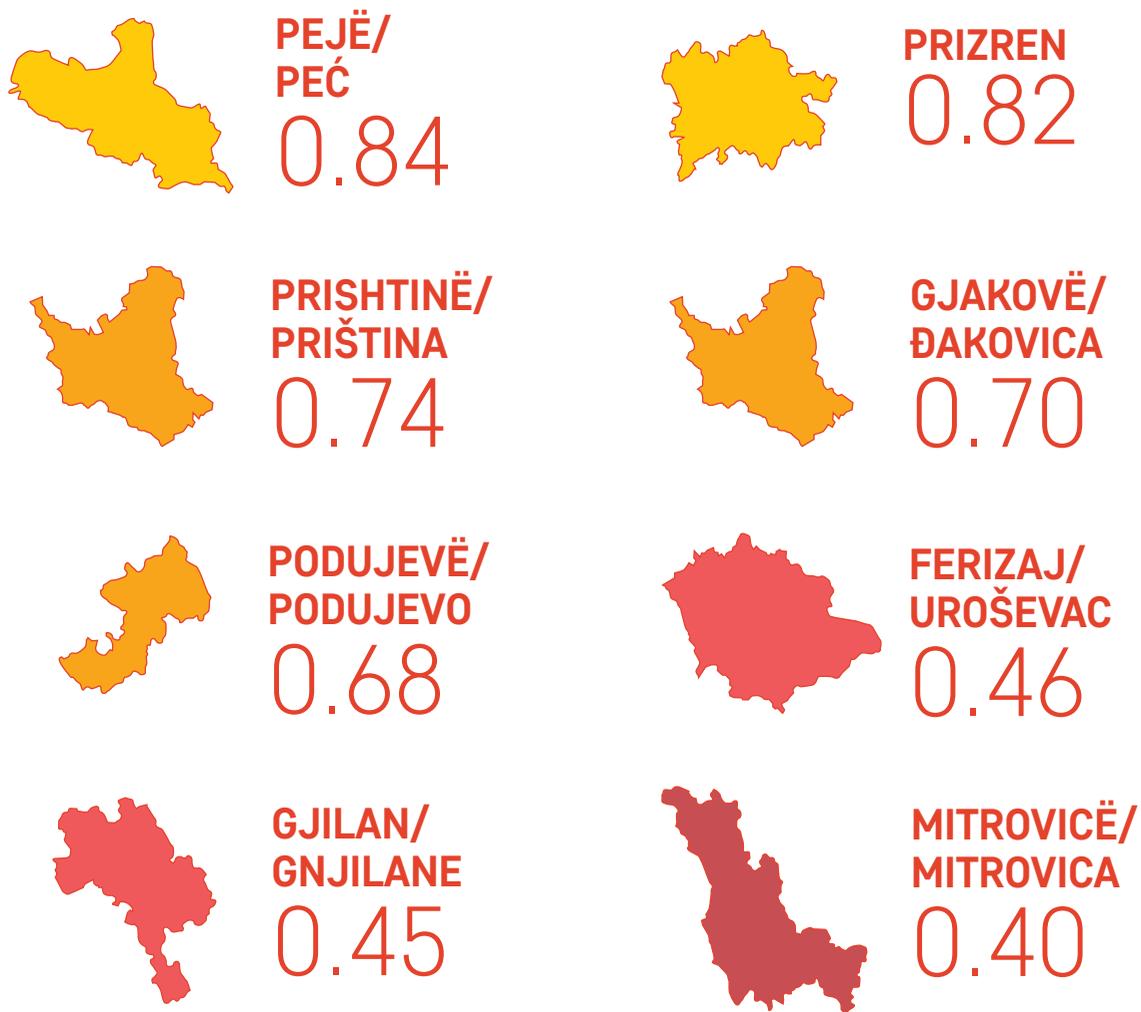


FIGURE 29. TENDER SUBMISSION DEADLINE (X9) FOR LARGE-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



The x-index results do not imply that the procurement procedures used by municipalities are illegal. The usage of accelerated time limits is granted to contracting authorities by Article 46 of the Law on Procurement, which permits the usage of this procedure, in special cases such as urgencies and other similar circumstances. However, frequent usage of this procedure undermines competition.

0.1

0.2

0.3

0.4

0.5

0.6

0.7

0.8

0.9

1.0

MEDIUM-SIZED MUNICIPALITIES

As seen in Figure 30, Lipjan/Lipljan is the best performer from large-sized municipalities, with a sub-index score of 1 index points. The maximum sub-index score of 1 index points, suggests that Municipality of Lipjan/Lipljan from 107 contract notices that it has had, it did not use the accelerated procedure in any of them. Meanwhile, municipalities of Deçan/Deçani, Viti/Vitina, and Dragash/Dragaš are all ranked at the bottom of this category of municipalities, having used the accelerated procedure the most, and have all received the sub-index score of 0.56 index points.

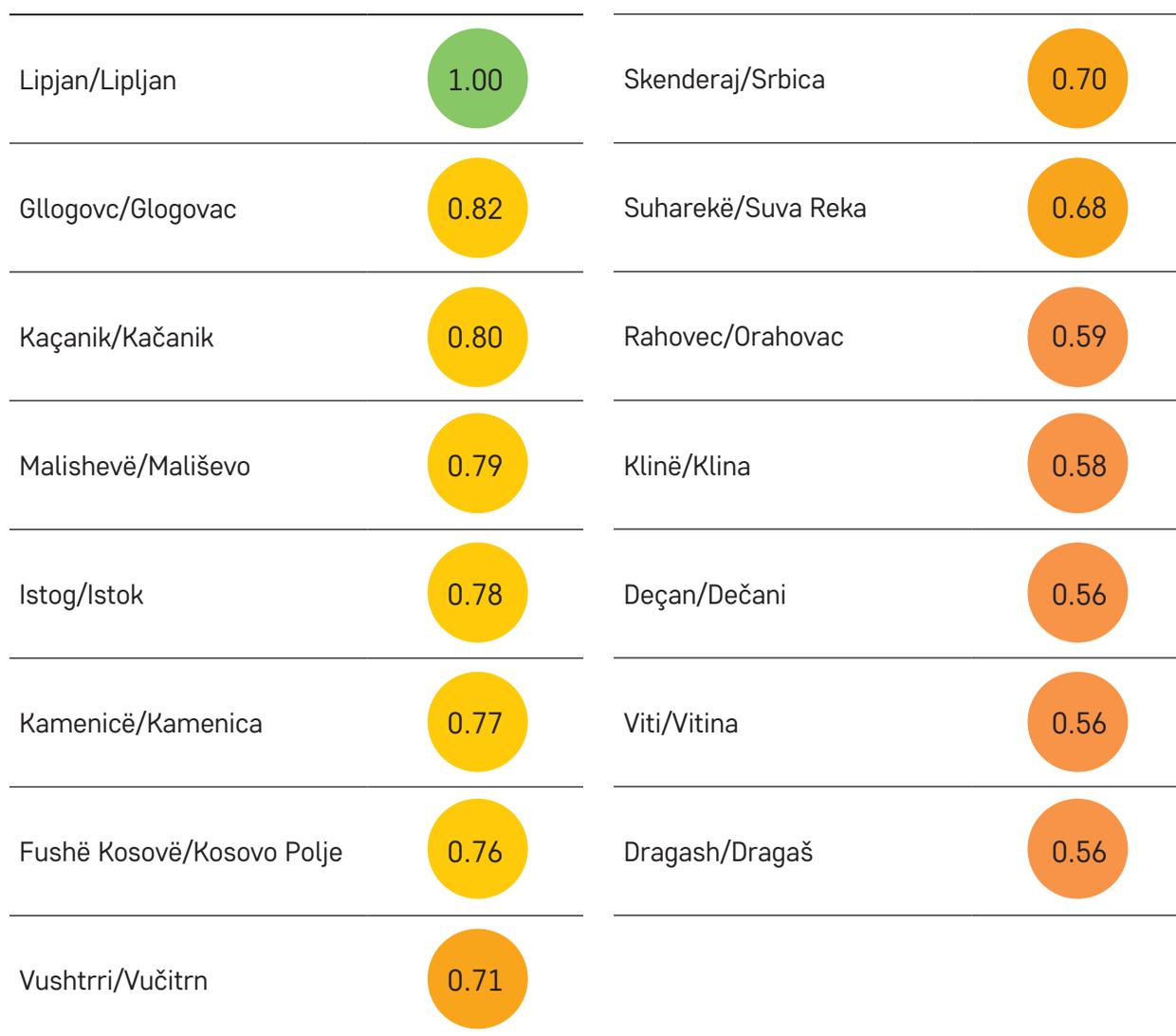
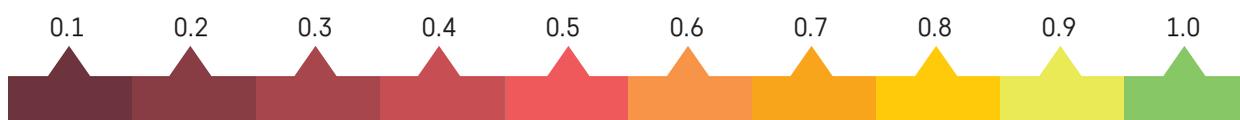


FIGURE 30. TENDER SUBMISSION DEADLINE (X9) FOR MEDIUM-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION



SMALL-SIZED MUNICIPALITIES

Small-sized municipalities are the municipalities that have performed the worst in this sub-indicator, with an average result of 0.55 index points. Junik and Ranilug/Ranillug are the top-performing municipalities in this category, with a sub-index score of 0.82, and 0.80 index points respectively. However, on the other hand, the Municipality of Zubin Potok has received almost a minimum score of 0.08 index points. From 31 contract notices that Zubin Potok has had, it has used the accelerated procedure in 26 of them, or 84% of cases. A poor result, is also that of the municipality of Leposavić/Leposaviq, with a sub-index score of 0.22 index points.

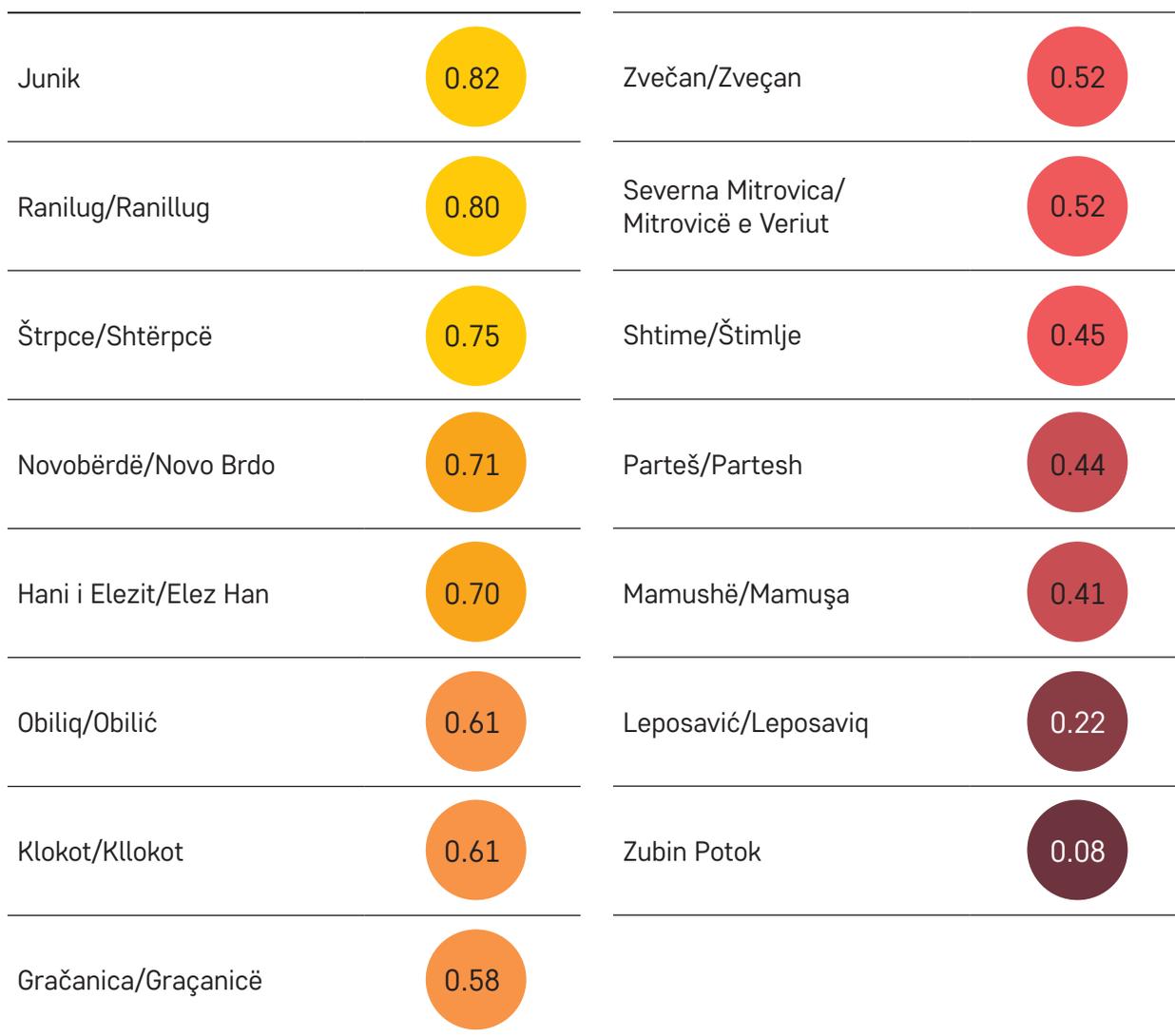


FIGURE 30. TENDER SUBMISSION DEADLINE (X9) FOR SMALL-SIZED MUNICIPALITIES

SOURCE: AUTHORS' OWN ESTIMATION





Civil society organizations and media
should be more active in monitoring
and signaling malfeasance in the
public procurement process as well
as come forth with recommendations
on improving the system.

5

METHODOLOGY

Construction of sub-indexes

The x-index methodology relies heavily on an already established methodology and is contextualized to internalize Kosovo's specificities. The methodology is developed in a way that aims to include all the major issues that concern public procurement at the local level in Kosovo. In order to classify and group municipalities in three groups (large, medium, small), the budget and number of staff of municipalities were taken into accounts. Equal weight was given to municipalities' budgets and the number of staff. The data regarding these two were taken from the Law on the Budget of the Republic of Kosovo for 2018 (LAW No. 06/L-020).

The rating methodology is built upon nine partial monitoring sub-indexes, each of which describes a particular public procurement issue. Riinvest researchers developed a statistical model and gathered data from the e-procurement platform for a twelve-month period (January-December 2018). Data regarding contracts were gathered from the 'e-procurement' platform, specifically from contract notices and contract award notices. Other sources of data include PRB (decisions regarding the legality of municipalities procurement activities); and KBRA (name of economic operators); and from the Law on the Budget of the Republic of Kosovo for 2018. Data regarding the accessibility of municipalities' contracts, were gathered from municipalities' web-pages.

X 1 Public Procurement as a share of total purchases

is a sub-index that measures the ratio between all purchases the contracting authority or the municipality makes, and the purchases it makes through public procurement. The sub-index compares the value of municipalities' contracts published in the "e-procurement" platform with the total volume of their controllable operating costs. Controllable operating costs are defined as the sum of selected cost items that are dependent on the contracting authority's management, in this case, municipalities' management. In our model, the controllable operating costs include: goods and services and capital expenditures. Wages and salaries, subsidies and transfers, and utilities were excluded since they are expenses that are not managed by municipalities. Similarly, this does not include the budget spent through the Central Procurement Agency. The data regarding the aforementioned expenses were gathered from Kosovo's "Semi-annual financial report", published by the Ministry of Finance. The formula for calculating the "Public procurement as a share of total purchases", is as follows below:

$$x1 = \sqrt{\frac{\text{value of public procurement contracts}}{\text{value of controllable operating costs}}}$$

For instance, in the Municipality of Pejë/Peć, the total amount of public procurement contracts was € 5,138,603.00 while the value of controllable operating expenses was € 9,901,434.00. The estimated sub-index value was 0.72 index points.

X 2 Competitive contracting

is a sub-index that measures the value and number of contracts tendered through negotiated procedures without publication (NPwP), in proportion with the total value and number of contracts. In order to measure both the value and number of contracts awarded, equal weight was given to both the value and number of contracts (as seen in the formula below). A minimum rating of zero is assigned to a municipality that awarded all its contracts through NPwP. The formula for calculating the "Competitive contracting" sub-index, is as follows:

$$x2 = \left\{ \left[\left(1 - \frac{\text{value of contracts awarded through NPwP}}{\text{total value of contracts}} \right) + \left(1 - \frac{\text{number of contracts awarded through NPwP}}{\text{total number of contracts}} \right) \right] / 2 \right\}^4$$

For instance, in the Municipality of Pejë/Peć, the total value of the contract awarded through NPwP was €219,549.00 while the total value of contracts was € 5,138,603.00. The number of contracts awarded through NPwP was 20 while the total number of contracts was 87. The estimated sub-index value was 0.56 index points.

X 3 Consistent Conduct

is calculated on the basis of all contract notices issued by the respective contracting authority, as obtained from the "e-procurement" and directly from municipalities. The score for each published contract is evaluated as follows:

- a score of 1 is given to a properly awarded contract without any correction notices
- a score of 0.75 is given to contracts with one correction notice attached

- a score of 0.5 is given to contracts with two correction notices attached
- a score of 0.25 is given to contracts with three correction notices attached
- a score of 0 is given to contracts with four or more correction notices, to canceled tender procedures, or if no contract was awarded (i.e. where neither a contract award notice nor a cancellation notice is present in “e-procurement”).

Meanwhile, the formula for calculating the “Consistent Conduct” sub-index, is as follows:

$$x3 = \frac{\sum \text{contract score}}{\text{number of contracts}}$$

For instance, in the Municipality of Pejë/Peć, the number of contracts that were corrected and/or canceled and were respectively given a score between 0 and 0.75 points. The rest of the contracts given a score of 1. This brings the total contract score to 66.75. The number of contract notices was 74. The estimated sub-index value was 0.90 index points.

X 4 Winner concentration

is measured as the value and number of all contract(s) awarded to each individual bidder, divided by the total value and number of all contracts awarded by the respective contracting authority; this calculation is made for each successful bidder, and the results are summed. The formula for calculating Winner concentration (x4), is as follows:

$$x4 = \{ [1 - \sum (\frac{\text{value of contracts awarded to each bidder}}{\text{total value of contracts}})^2] + [1 - \sum (\frac{\text{number of contracts awarded to each bidder}}{\text{total number of contracts}})^2] \} / 2$$

The calculation uses the standard Herfindahl index for measuring supplier concentration, adapted for the purpose of public procurement contracts. The resulting index is then squared in order to emphasize the difference between highly rated and lowly rated contracting authorities.

- If all of the contracting authority’s contracts were awarded to a single contractor, his share equals 1 and the indicator value equals 0.
- If two contractors supplied half of the authority’s contracts each, the indicator value will equal 0.25.
- If three contractors were awarded 50%, 25% and 25% of all the authority’s contracts, the indicator value equals $(1 - (0.5^2 + 0.25^2 + 0.25^2))^2 = 0.39$.
- If ten contractors were equally successful in winning tender procedures with the given authority the indicator value equals 0.81.

For instance, in the Municipality of Pejë/Peć, the total squared value of contracts to each bidder over the squared total value of contracts was 0.90 while the total squared number of contracts to each bidder over the squared total number of contracts was 0.95. The estimated sub-index value was 0.93 index points.

X 5 Bidder participation

is calculated through a two-step process. In the first step, the level of competition is evaluated for each contract, and these levels are then averaged across all contracts for a given contracting authority, to give a partial indicator k. The sub-indicator k compares the number of tenders submitted for a particular call with the median of the number of tenders for the type of contract. In this model, the types of contracts that are calculated are: public supply contracts, public services contracts, and public works contracts. The formula for calculating the partial indicator k is as presented below:

$$k = 0.5 + \frac{\text{tenders submitted per contract} - \text{median of tenders for type of contract (tenders submitted)}}{\text{median in category (tenders submitted)}}$$

The second step in our calculation is to compute the aggregate indicator as to the weighted sum of k indicators across all contracts awarded by the respective contracting authority. The awarded price of every contract is used as its weight, in order to emphasize the indicator results for bigger contracts.

$$x5 = \frac{\sum \text{contract value} * k}{\text{total contracts value}}$$

For instance, in the Municipality of Pejë/Peć, the value of contracts times the k coefficient was €4,079,071.58, while the total value of contracts was €5,138,603.00. The estimated sub-index value was 0.79 index points.

X 6 Pro-competitive tools

evaluates to what extent each contracting authority uses optional procompetitive tools, namely through:

- Splitting contracts into lots - enable contracting authorities to ensure maximum competition for each element of the procurement. This instrument also facilitates small and medium enterprises' access to public contracts, as it reduces the qualification requirements, and separates simpler work that can be performed by a broader range of bidders from more specialist tasks.
- Evaluating tenders not only by price but also by quality - this indicator aims to upgrade the competition above a simple price war with the cheapest and lowest quality goods.

In the continuous efforts to foster competition, the "Pro competitive tools" indicator rewards municipalities for implementing these additional activities, which go beyond their legal obligations and support a competitive environment in public procurement. It would make no sense to require the use of these instruments in every contract as proof of best practice, as the tools are not appropriate in many cases. Thus the maximum rating for this indicator is therefore assigned to any contracting authority that uses them in more than 25% of cases. Hence, in calculating the indicator value, each share is multiplied by four but restricted to maximum value 1. This means that a contracting authority splitting all of its contracts

into lots but never using either e-auctions or extended deadlines is assigned the indicator value of 1/3. In order to evaluate this indicator, we use the following components:

- the share of contracts split into lots, out of the total number of contracts
- the share of contracts evaluated using quality-based criteria, out of the total number of contracts

The following formula is used to calculate this indicator:

$$x6 = \left(\frac{4 \times (\text{nr. of contract split into lots} + \text{nr. of contracts using quality based criteria})}{2 \times \text{nr. of contracts}} \right)^{1/2}$$

For instance, in the Municipality of Pejë/Peć, the number of contracts that were split into lots was 2; the number of contracts that used quality-based criteria was 0, while the number of awarded contracts was 87. The estimated sub-index value was 0.21 index points.

X 7 Legal misconduct

is measured as the value of all serious misconducted cases, divided by the number of contracts. This indicator reflects the number of misconducts detected by the Procurement Review Body (PRB), which is the authorized body for reviewing the legality of public procurement practices of contracting entities. In order to evaluate this indicator, we browse through all PRB rulings related to municipalities' procurement contracts, and we focus on PRB's decisions where misconduct has been proven and may be considered serious, throughout January-December 2018. The formula used to calculate this indicator is as follows:

$$x7 = 1 - \left(\frac{\text{number of serious misconducted cases}}{\text{number of contracts}} \right)^{1/4}$$

For instance, in the Municipality of Pejë/Peć, the number of contracts awarded contracts was 87 while the number of cases where there was serious misconduct was 2. The estimated sub-index value was 0.61 index points.

X 8 Procurement planning accuracy

evaluates municipalities' procurement planning accuracy by comparing the initial estimated contract value set by the municipality when publishing a call for a tender with the total final value with which the contract is signed with the economic operator. The objective of this indicator is to increase the efficiency of municipalities' planning process when setting the estimated prices of contracts, and therefore reducing the deviation between the estimated contract value and the total final value of the contract. This indicator is measured in a three-step process.

The deviation between the estimated contract value and the contract's total final value is measured in the first step. This deviation is measured by finding the difference between the estimated contract value and the final contract value and is expressed as a percentage by dividing the deviation value with the estimated contract value or with the final contract value, depending on which one is smaller. This calculation is conducted with the objective of assessing in the same way cases where the final contract value is higher than the estimated contract value, or the opposite. In cases where the final contract value is two times smaller or higher than the estimated contract value, the deviation expressed in percentage takes a 100% value in both cases.

In the second step, the planning process is assessed for each contract, with the following formula:

$$\text{Assessment} = 1 - \text{Deviation (expressed in percentage)}$$

In the third and final step, the following formula is applied:

$$X8 = \frac{\sum(\text{Final value of contract} \times \text{Assessment})}{\sum \text{Final value of contract}}$$

For instance, in the Municipality of Pejë/Peć, the final value of contracts times the anticipated assessment was €3,588,295.00 while the final value of contracts was €4,919,054.00. The estimated sub-index value was 0.73 index points.

X 9 Tender submission deadline

is measured as the value of all contract notices that have used accelerated procedures, divided with the total number of contract notices. The formula for calculating x9 is as follows:

$$x_9 = 1 - \left(\frac{\text{No. of contract notices that have used accelerated procedures}}{\text{No. of contract notices}} \right)^{1/2}$$

For instance, in the Municipality of Pejë/Peć, the number of contract notices that have used accelerated procedures was 2 while the number of awarded contracts 87. The estimated sub-index value was 0.83 index points.

In the end, the nine indicators explained above, are combined to produce a single xindex value, using a weighted average:

$$x_{index} = \frac{x_1 + x_2 + x_3 + x_4 + x_5 + x_6 + x_7 + x_8 + x_9}{9}$$

Where X is the final x-index value and x1 to x9 are the values of the individual indicators numbered according to the list above (the detailed computation of the indicators follows). Each of the indicators is scaled between 0 and 100, and they thus have equal weight.

